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METZLER

Asset Management



Overview of ESG guidelines and reports

Sustainability as the basis for your investment decision

Contents

	Page
Sustainability in Asset Management	3
ESG Policy	5
Guideline on climate-friendly approach to coal, oil and gas companies	20
ESG-Risik Policy	29
Direct Engagement – Silent Active Ownership	34
Proxy Voting Policy – Metzler Asset Management	36
Proxy Voting Policy – Columbia Threadneedle Investments	41
Conflicts of Interest Addendum – Proxy Voting	57
Corporate Governance Guidelines (CGG)	61
Responsible Investment – Engagement Policy	89
Conflicts of interest – Addendum to our Responsible Investment Engagement Policy	97
Modification history	101
Disclaimer Metzler Asset Management GmbH	103
Important information Columbia Threadneedle Investments	105

Metzler sets standards: Sustainability in Asset Management



Oliver Schmidt, CESGA

Managing Director and Chief Investment Officer, Metzler Asset Management GmbH

"As an asset manager, we can look back on a long tradition that gives rise to a significant responsibility towards our stakeholders. We will continue to fulfill this obligation in the future by developing tailor-made and sustainable financial products for our clients. For many years, our corporate philosophy has called for close collaboration between portfolio management and the Sustainable Investment Office in order to deliver on this promise. In doing so, we attach particular importance to not just following short-term trends, but to provide our clients with long-term and sustainable support."

The heart of the Metzler Group is Metzler bank, the oldest German private bank with an unbroken tradition of family ownership for 350 years. Metzler bank focuses on individual capital market services for institutional clients and discerning private individuals.

In Asset Management, one of the Metzler Group's four business segments, Metzler Asset Management GmbH offers investment services for institutional clients as a subsidiary. These include individually thought-out portfolio management concepts – which consistently incorporate sustainability components – as well as efficient and secure administrative solutions. The aim is always to offer clients the right mix of standardized processes and individual service – and thus to create sustainable value.

Metzler bank's long history of success is based on a commitment to sustainability. We have always been dedicated to a mission statement that focuses on honesty in business and in dealing with our clients. In the course of our company history, our three corporate values of independence, entrepreneurial spirit and humanity. Our business strategy, which is geared towards continuity, is based on these values, as is our responsible action beyond the banking business through social and community involvement.

25 years of ESG experience: Track record of the Sustainable Investment Office

For Metzler Asset Management, sustainability also means a clear commitment to developing concepts that are viable in the long term. This includes not only products and services, but also the continuous support of our clients in all financial market matters. The commitment to a sustainable business orientation is firmly anchored in our established self-image.

With the launch of the first sustainable special fund in 1999, we can look back on 25 years of experience in the field of sustainable investment solutions. The signing of the Principles for Responsible Investment (PRI) in 2012 and the introduction of basic sustainability in 2015 were further important milestones. We pursue a holistic approach to climate protection and, as an asset manager, want to contribute to reducing the negative effects of man-made climate change. Transparency in our actions is particularly important to us. To live up to this claim, we published a climate policy on climate-friendly dealings with coal, oil and gas companies in 2023.



Daniel Sailer

Head of Sustainable Investment Office,
Metzler Asset Management GmbH

"We can look back on a long and successful ESG history with over 25 years of experience. Important milestones include the founding of the Sustainable Investment Office and our membership of the Net Zero Asset Manager Initiative. In addition to developing sustainable investment strategies for our clients, our aim is also to promote active dialog with companies. In the context of transparency, we are continuously improving our comprehensive ESG reporting for investment strategies. We will continue to consistently pursue this path in the future and make an active contribution to a more sustainable financial system."

Metzler Asset Management ESG Policy

Contents

	Page
1. Significance of ESG at Metzler Asset Management	7
1.1. ESG philosophy	7
1.2. Initiatives, associations and cooperation partners	7
1.3. Organs and control mechanisms	8
2. ESG in portfolio management	10
2.1. Exclusion criteria and ESG integration for equity, corporate bond and multi-asset portfolios	10
2.2. Selecting issuers of government bonds	11
2.3. Integration of climate risks and fossil fuel guidelines	11
2.4. Methodology for measuring sustainable investments within the meaning of Article 2 (17) of the Disclosure Regulation	12
2.5. Minimum protection, investments to be made using the financial product, avoiding significant impairment to any of the environmental or social investment objectives	13
2.6. Consideration of adverse effects on sustainability factors	13
2.7. ESG portfolio construction tool QbrickS®	14
2.8. ESG portfolio controlling and risk management	14
2.9. Quality assurance and certification of employees as CESGA® experts	15
3. Proxy voting and engagement	16
4. Reporting	17
4.1. Transparency and publications	17
4.2. ESG reporting	17
5. Social responsibility	18

1. Significance of ESG at Metzler Asset Management

1.1. ESG philosophy

ESG is short for “Environmental, Social and Governance”.

For us, sustainability includes a clear commitment to developing concepts that are feasible in the long term. This relates first and foremost to products and services, but also to providing long-term support to our clients in all matters relating to financial markets. The commitment to a sustainable business focus is thus a core component of how Metzler Asset Management GmbH sees itself.

In the investment process for our equity, corporate bond and multi-asset funds, we not only consider financial criteria but also how companies integrate ecological, social and governance aspects. In particular, the aim is to further enhance the risk-return profile¹ of our portfolios.

If portfolio management for funds or individual fund segments of Metzler Asset Management GmbH is outsourced to companies outside the Group, it is the responsibility of the respective fund manager to implement a strategy for the inclusion of sustainability criteria as part of its pre-investment process.

The content presented in this document does not apply to the asset classes of the Metzler Premium Funds and the assets managed as part of an advisory service. These funds follow a different strategy in dealing with sustainability risks.

1.2. Initiatives, associations and cooperation partners

Metzler Asset Management GmbH is a signatory and/or supporter of various initiatives and associations. We also work with different cooperation partners in the area of ESG data and analysis.

■ Initiatives and associations

As a member of the **Bundesverband Investment und Asset Management e.V. (BVI)**, Metzler Asset Management GmbH consults regularly on ESG issues with other members of the **BVI**'s ESG Working Group and is a member of the Sustainability Committee.

In 2012, Metzler Asset Management GmbH became one of the first German asset managers to sign the **Principles for Responsible Investment (PRI)**, a voluntary commitment by signatories established in 2005 on the initiative of the United Nations.

In November of 2021, Metzler Asset Management GmbH joined the **Net Zero Asset Managers Initiative**. Signatories of the initiative commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner by developing appropriate investment products and promoting investments in climate protection technologies and solutions. The

¹ Not warranted or guaranteed

initiative is managed by the United Nations-backed Principles for Responsible Investment (UN PRI) and five other founding partner investor networks.

Since 2002, Metzler has been a member of the **Forum für Nachhaltige Geldanlagen (FNG)**, an association promoting sustainable investment. Its aims include raising awareness for sustainable solutions in investing in order to have a positive impact on the direction of investments. Through FNG, Metzler is also a member of **EuroSiF** and a signatory of the **Carbon Disclosure Project (CDP)** and the **Water and Forestry Disclosure Project**.

In addition, Metzler Asset Management GmbH is a founding member and sponsor of the **sustainability initiative "Green and Sustainable Finance Cluster Germany"**. This new cluster was formed in April of 2018 when the initiative "Accelerating Sustainable Finance" was combined with the Green Finance Cluster of the Hessian Ministry of Economics.

The new cluster aims to further advance sustainable development and the associated transformation process in the financial sector. It utilizes its bundled financial market expertise to make financial market structures fit for the future – at both national and European levels. Through the cluster, Metzler Asset Management can exert political influence on the issue of sustainability in an appropriate manner.

Furthermore, Metzler Asset Management GmbH is a supporter of the **Task Force on Climate-Related Financial Disclosures (TCFD)** which was established by the Financial Stability Board (FSB) and is committed to disclosing climate change-related information and data from companies. Companies are required to analyze and evaluate the opportunities and risks arising from climate change and this additional information is intended to help investors make informed decisions. As a supporter of the TCFD, Metzler Asset Management GmbH is committed to greater transparency in climate reporting.

■ **Cooperation partners**

Metzler Asset Management GmbH procures ESG data primarily from **MSCI ESG Research**. For ESG integration purposes, data from the **CDP** and the **Science-Based Targets initiative (SBTi)** is also used. For client-specific exclusion criteria and/or "best-in-class" approaches to managing special AIFs, Metzler Asset Management GmbH works with **ISS ESG**. On matters of proxy voting and engagement, Metzler Asset Management GmbH cooperates with **Columbia Threadneedle Investments** (please see chapter 3).

1.3. Organs and control mechanisms

The topic of sustainability is anchored in the regularly updated business strategy of Metzler Asset Management GmbH. The ESG strategy is implemented decentrally in the individual divisions.

All strategic and coordination topics related to sustainability are managed by the **Sustainable Investment Office (SIO)**, which reports to the CIO of Metzler Asset Management GmbH. The SIO also deals with ESG advisory and ESG integration in portfolio management.

An **ESG Board** at Metzler Asset Management meets regularly to discuss sustainability issues. Participants include ESG specialists from the Sustainable Investment Office, the CIO, portfolio managers for equities and fixed income as well as representatives from client relationship management, reporting and the Compliance team.

Besides the controlling tasks performed by our portfolio management team, our **Fund Risk Controlling team** carries out additional (ex-post) risk controls. ESG topics are monitored in regular review meetings.

Metzler's **group-wide Compliance team** bears the ultimate responsibility for supervising and examining all compliance-related issues in the Metzler Group. This team is organizationally independent from the other departments and is not involved in any business, trading or other operational activities of the company. Due to this functional segregation, Metzler is able to avoid all conflicts of interests. The Management Board of Metzler Asset Management GmbH, ESG experts and the Compliance team hold regular meetings to ensure continuous exchange on ESG topics. The Compliance team also participates in the ESG Board meetings of Metzler Asset Management GmbH.

2. ESG in portfolio management

The goal of ESG integration at Metzler Asset Management is to improve the risk-return profile¹ of our funds by including all relevant sustainability aspects in traditional investment analysis. Sustainability aspects are taken into account throughout the entire investment process. Our team of ESG experts and portfolio managers attend regular events and conferences on how to invest more sustainably.

2.1. Exclusion criteria and ESG integration for equity, corporate bond and multi-asset portfolios

2.1.1. Exclusion criteria for all equity, corporate bond and multi-asset portfolios

For all of Metzler Asset Management GmbH's equity, corporate bond and multi-asset funds, exclusion criteria are applied based on 120 international norms and conventions. The data stems mostly from MSCI ESG Research. In case of an infringement of one of these standards, we exclude the company from our investment universe. In MSCI ESG Research's controversy scheme, this corresponds to a "red flag".

Companies that produce and/or distribute banned weapons are also excluded from our investment universe. The United Nations classifies various weapon systems as an extreme violation against humankind and has thus adopted several conventions to ban these weapons. Banned weapons include anti-personnel landmines, nuclear weapons, biological and chemical weapons, and cluster munitions. Manufacturers of uranium munitions are also excluded, although they are not yet explicitly banned by conventions.

We do not invest in derivative financial instruments on agricultural commodities.

2.1.2. Selecting individual stocks and issuers for equity, corporate bond and multi-asset portfolios

The valuation takes into account how the different general and industry-specific key ESG indicators impact business performance. Financial analysis, supported by economic valuation models, is rounded off by extensive ESG analysis which provides more comprehensive information for the investment decisions made by the portfolio managers. ESG analysis is comprised of four steps:

- Identify controversial business practices, e.g. serious cases of corruption or bribery
- Analyze key ESG indicators, e.g. ESG ratings or the ability to attract, develop and retain skilled employees

¹ Not warranted or guaranteed

- Evaluate climate risks, e.g. in terms of 1.5-°C compliance
- Identify and measure sales in structural, topical areas, e.g. renewable energies, energy efficiency and waste prevention.

Despite currently rapid growth in the ESG sector, specialized rating agencies do not fully cover the small and mid cap universe or all IPOs and spin-offs. For cases where we have no ESG rating for a specific company, Metzler Asset Management has developed an internal ESG research assessment procedure that is conducted by the Sustainable Investment Office. The results of this analysis determine whether a specific security makes a suitable investment or not. In this process, we assess a company's ESG profile, including ESG risks and opportunities, based on publicly available information. For these analyses, information from various sources can be considered, including official prospectuses, sell-side research, financial news, CSR reports, company website information and financial data from providers like FactSet or Bloomberg – in addition to direct exchange with the companies themselves.

ESG analysis of issuers by external research agencies or by our Sustainable Investment Office is monitored by our internal Fund Risk Controlling department. Our MIG21 monitoring system (GX Compliance) is linked to the front office and reviews ex-ante instructions to traders in order to ensure compliance with contractual or client-specific restrictions.

2.2. Selecting issuers of government bonds

As part of a holistic ESG approach, sustainability factors are used to reduce risks and identify opportunities. Investments are made only in countries that are deemed sustainable according to a sustainability filter. This filter covers the following criteria:

- a. Management of ESG risk factors based on ESG ratings for individual countries. Data is provided primarily by MSCI ESG Research
- b. Access to political rights and civil liberties
- c. Extent of corruption
- d. Peace status
- e. Frequency of money laundering cases.

2.3. Integration of climate risks and fossil fuel guidelines

On November 1, 2021, Metzler Asset Management GmbH joined the "Net Zero Asset Managers Initiative". As a signatory to the initiative, Metzler Asset Management GmbH is committed to contributing to the goal of net zero greenhouse gas emissions by 2050 or earlier by developing appropriate investment products and promoting investments in climate protection technologies and solutions. This is also in line with global efforts to limit global warming to 1.5

degrees Celsius and is a clear sign that the asset management industry attaches high priority to climate protection.

As part of ESG integration, ESG analysis takes climate risks and opportunities into account (see chapter 2.1.2). For the actively discretionary mutual funds of Metzler Asset Management GmbH's "sustainability" family, companies that generate more than 5% of their turnover from thermal coal mining or more than 5% of their turnover from electricity generation based on thermal coal are excluded. In addition, companies that generate more than 5% of their sales through the extraction of oil or gas using fracking technology are excluded.

In May of 2023, Metzler Asset Management introduced a comprehensive policy on climate-friendly management of coal, oil and gas companies.

Climate risks play a significant role in the engagement and voting process. The results of the engagement and voting are published annually on Metzler Asset Management GmbH's website.

2.4. Methodology for measuring sustainable investments within the meaning of Article 2(17) of the Disclosure Regulation

Investments that contribute to the achievement of one or more of the following objectives are considered environmentally and/or socially sustainable economic activities within the meaning of Article 2(17) of the Disclosure Regulation:

- Financing of economic activities that are consistent with one or more of the 17 United Nations Sustainable Development Goals. Companies that generate at least 20% of their revenue from products or services targeted at fulfilling one or more of these goals are consistent with an explicit corporate focus on meeting environmental or societal needs.
- Mitigation of climate change and transition to a low-carbon economy. Such companies have committed to CO₂ reduction targets and have an implied temperature increase of below 2 degrees Celsius.
- Positive contribution to equality and human capital by promoting more diversity in the workplace. Companies must meet all of the following requirements to qualify as making a positive contribution:
 - They must have diversity programs in place
 - They must have a labor rights and diversity score of > 3 on a 10-point scale
 - At least 50% of Executive Board members must be female.

In the investment process, the investment manager takes these indicators into account based on a positive list of companies that have developed a strategy in line with the aforementioned key indicators and have a track record of pursuing environmental and/or five social objectives. This positive list is based on information from MSCI ESG Research for each key indicator. For the 17 United Nations Goals, sales in products and services that are in line with the Sustainable Development Goals are considered. Sustainable impact data from MSCI ESG Research is used for this purpose. The contribution of sustainable investments is determined based on a share ratio, specifically the ratio of market value in sustainable companies to the market value of all investments in the fund.

2.5. Minimum protection, investments to be made using the financial product, avoiding significant impairment to any of the environmental or social investment objectives

By selecting sustainable investments, none of the environmental and social objectives referred to in Article 2(17) of the Disclosure Regulation or the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 shall be significantly compromised. Significant impairment exists if the adverse sustainability indicators are seriously impacted or if the minimum protection as laid down in Article 18 of Regulation (EU) 2020/852 has been breached. Furthermore, the fund shall invest in securities of issuers or companies that observe the governance aspects referred to in Article 2(17) of Regulation (EU) 2019/2088 in the course of their business activities. This is ensured and documented by the exclusions defined by the internationally recognized standards.

Companies with an MSCI ESG rating of CCC are also excluded.

2.6. Consideration of adverse effects on sustainability factors

When selecting sustainable investments, the indicators for adverse impact on sustainability factors are used to determine significant impact. For this purpose, criteria for a significant impact are defined for environmental and social indicators. Investments that do not meet the investment manager's defined targets for the individual indicators cannot be classified as sustainable. If relevant data is not available, classification as a sustainable investment is also impossible.

Sustainable investments are in line with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Investments are monitored on the basis of these guidelines, and the principles are rooted in international standards for human rights, labor rights, the environment and corruption. If a company is found to be abusing or violating these standards, it is excluded from the fund. Such investments already held by the fund are divested.

2.7. ESG portfolio construction tool QbrickS®

With QbrickS®, we offer our clients a complete concept that includes client-specific advisory services, customized implementation and comprehensive analysis. Using QbrickS®, we can integrate client preferences and specifications at portfolio level while considering sustainability, allocation and investment style criteria (risk premiums). For ESG integration, QbrickS® focuses on active risk management.

2.8. ESG portfolio controlling and risk management

As part of our **portfolio controlling**, we use our MIG21 monitoring system (GX Compliance), which is linked to our front office, to check orders ex-ante in order to ensure compliance with legal, contractual, client-specific and internal restrictions. Companies where exclusion criteria apply (e.g. because they do not comply with the generally recognized standards of the United Nations, the UN Global Compact and the International Labor Organization ILO) are blocked in our MIG21 system (GX Compliance) and are thus not eligible for investment.

The following ESG **meetings** are part of our ongoing **risk management**:

- Regular meetings of Metzler Asset Management GmbH's ESG Board
- Quarterly performance review meetings with portfolio management, CIO and the Fund Risk Controlling team. In addition to monthly portfolio analysis (i.e. comparison of return and risk ratios for all funds and their benchmarks), ESG indicators are also evaluated.

The Fund Risk Controlling team prepares a monthly ESG risk report that includes relevant ESG risk indicators on controversial business practices and violations of global norms, the quality of ESG risk management, as well as physical and transitory climate risks of the assets.

The implied "portfolio temperature"* of the funds and the so-called "climate value at risk"* help us examine the resilience of assets after an adverse event or scenario – caused by physical, transitory climate risks.

The fund risk report helps us to identify, assess, manage, monitor and report sustainability risks. A risk assessment of the funds is carried out as of the reporting date based on defined threshold values.

* Data is based on information provided by MSCI ESG Research

2.9. Quality assurance and certification of employees as CESGA® experts

To ensure quality, Metzler Asset Management GmbH has entered into a cooperation with the German Association for Financial Analysis and Asset Management (DVFA). All portfolio managers, sales staff and risk management staff are required to take a training program and pass the exam to become a Certified Environmental, Social and Governance Analyst (CESGA®). As of May 2023, more than 50 employees have passed the exam.

3. Proxy voting and engagement

Metzler Asset Management GmbH works with Columbia Threadneedle Investments, which we have specifically mandated for this task, to ensure that business-relevant ESG challenges are discussed with the companies represented in our portfolios in a process known as “**engagement**.” Columbia Threadneedle Investments was also appointed to exercise **voting rights** and prepare reports on its voting as well as on the engagement milestones reached, sections of which we include in our ESG reporting for our clients.

The current principles of ownership responsibility and details of the engagement procedure are available at all times on our website:

www.metzler.com/en/metzler/asset-management/esg
> **Dialogue and voting rights**

4. Reporting

4.1. Transparency and publications

Transparency of ESG topics is important for Metzler Asset Management GmbH. The following documents are publicly accessible:

- The fund price is published daily. The **composition of our mutual funds** is published monthly (master data, investment strategy, risk profile, performance, fund structure, industry composition, top 10 equities, top 10 industries, key figures, costs and fees)

www.metzler.com/en/metzler/asset-management/fund-prices-und-documents

- The Metzler Asset Management GmbH **PRI report** is accessible at

www.metzler.com/en/metzler/asset-management/esg

> Downloads

- The guidelines for exercising **voting rights** at annual general meetings by Metzler Asset Management GmbH, the principles and guidelines on owner responsibility, the Global Corporate Governance Guidelines, and the voting results of Columbia Threadneedle Investments from the shareholder meetings of the companies represented in our funds are accessible at

www.metzler.com/en/metzler/asset-management/esg

> Dialogue and voting rights

- Information provided by Columbia Threadneedle Investments about engagement can be found at:

www.metzler.com/en/metzler/asset-management/esg

> Dialogue and voting rights

4.2. ESG reporting

Metzler Asset Management GmbH provides extensive ESG reporting for all funds and mandates. This includes a detailed review of the portfolios according to social, environmental and governance factors. Reporting also covers the milestones achieved in engagement activities.

For Metzler's sustainability mutual funds, ESG reports are accessible on our website at

www.metzler.com/en/metzler/asset-management/fund-prices-und-documents

5. Social responsibility

Since the 1674 establishment of the Metzler Bank in Frankfurt/Main, several members of the Metzler family in all generations have been committed – both personally and financially – to promoting social, scientific and cultural causes in their home city. These Metzler family members have been among the founders of several public institutions or their sponsoring associations, e.g. the Städel Museum, the Senckenberg Nature Research Society, Goethe University or the Bürgerhospital, and are still committed to their further development.

In 1998, these initiatives by the Metzler family and Metzler Bank, some of which date back centuries, culminated in the establishment of the Metzler Foundation, which operates independently from the Group. The Metzler Foundation concentrates on the development of children and adolescents, primarily in the field of German language learning, and also helps resolve social problems. The Foundation's patronage of the arts and culture, health care, science and research, nature and the environment, and community development round off the "portfolio" of support. Its work extends to all of Germany and beyond, especially locations where Metzler has offices.

In addition to Metzler's own charitable activities, Metzler also persuades others to donate ("Anstiften zum Stiften"). This project is a cornerstone in Metzler's commitment to involve as many other people, companies or institutions as possible in order to secure project funding. Innovative fundraising concepts have been used since the beginning of the 21st century, e.g. the matching fund model "1 + 1 = 3". Furthermore, employee commitment is actively promoted as employees take on sponsorships for charity projects and get personally involved. Metzler employees can also submit their own applications for funding to the Metzler Foundation. Thus, social commitment is becoming more and more widespread and the Metzler network is constantly growing.

The work of the Metzler Foundation is non-profit and takes place in cooperation with other charitable or non-profit groups, scientific specialists and initiatives, and the public authorities in order to achieve the best results.

The Metzler family, the Foundation and Metzler Bank with its employees are all convinced of the importance of their chosen commitments and will surely remain committed "corporate citizens" full of ideas and zest.

Modification history:

March 2022: Service provider BMO Global Asset Management was renamed Columbia Threadneedle Investments after the acquisition.

April 2023: Supplement to 1.1. "The content presented in this document does not apply to the asset classes of the Metzler Premium Funds and the assets managed as part of an advisory service. These funds follow a different strategy in dealing with sustainability risks."

June 2023: Addition of chapters 2.4, 2.5 and 2.6, as well as stylistic adjustments to wording.

Guideline on climate-friendly approach to coal, oil and gas companies

Frankfurt/Main, May 10, 2023

Contents

	Page
1. Importance of ESG at Metzler Asset Management	22
1.1. Introduction	22
1.2. ESG integration at Metzler Asset Management	22
1.2.1. ESG integration for equities and corporate bonds	23
1.2.1.1. Exclusion criteria for equity and corporate bond portfolios	23
1.2.1.2. Individual stock and issuer selection for equity and corporate bond portfolios	23
1.2.1.3. Issuer selection government bonds	23
1.3. Dealing with coal, oil and gas companies	24
1.3.1. Actively managed mutual funds	24
1.3.1.1. Dealing with coal companies	24
1.3.1.2. Other companies with existing business in the coal sector	24
1.3.1.3. Dealing with oil and gas companies	24
1.3.2. Metzler "Sustainability" mutual funds	25
1.3.3. Use of target funds	25
1.3.4. Client-specific mandates/special funds	25
1.4. Derivatives	25
1.5. Climate initiatives	25
1.6. ESG portfolio controlling and risk management	26
2. Exercise of voting rights and engagement	28

1. Importance of ESG at Metzler Asset Management

1.1. Introduction

Protecting the climate is a major global challenge. Swift and decisive action must be taken to significantly limit the rise in average global temperature.

Only if this succeeds can the biological adaptability of the planet and the livelihood of billions of people be preserved. From an economic perspective, too, the higher the temperature rise, the higher the costs of climate damage and the necessary adaptation costs to climate change, which far exceed the avoidance costs. At the World Climate Change Conference in Egypt in November 2022, the global community reaffirmed the goal of the 2015 Paris Climate Agreement to limit global warming to 1.5 degrees Celsius compared to the pre-industrial age and to achieve global greenhouse gas neutrality by the second half of the century at the latest.

Governments and companies have a shared responsibility in the transition to a greenhouse gas-neutral economy. Metzler Asset Management is convinced that, as an asset manager, we can make a decisive contribution on the path to a low-carbon economy. As a leading provider of responsible investments, we support the global goal of carbon neutrality as a member of the Net Zero Asset Managers Initiative.

With this guideline on the climate-friendly approach of coal, oil and gas companies, we at Metzler Asset Management want to make our contribution to mitigating the negative effects of man-made climate change. It is necessary for us to be in close contact with companies in order to find the best possible way to transform our economy towards climate neutrality.

1.2. ESG integration at Metzler Asset Management

The aim of ESG integration at Metzler Asset Management is to improve the risk/return profile of the funds by incorporating material sustainability aspects into traditional investment analysis. Sustainability components are taken into account throughout the entire investment process. Our team of ESG experts and our portfolio managers regularly take part in events and conferences on sustainable investing.

The content presented in this document does not apply to the asset classes of the Metzler Premium Funds and the assets managed as part of an advisory service. These funds have a different strategy for dealing with sustainability risks.

1.2.1. ESG integration for equities and corporate bonds

1.2.1.1. Exclusion criteria for equity and corporate bond portfolios

Exclusion criteria based on 120 standards and conventions are used for Metzler Asset Management's equity and corporate bond funds. The data comes primarily from MSCI ESG Research. In the case of „very severe controversies“, i.e. the most serious violations of one of these standards, we exclude companies from the investment universe.

1.2.1.2. Individual stock and issuer selection for equity and corporate bond portfolios

The assessment takes into account how different general and sector-specific key ESG indicators affect business performance. The financial analysis using economic valuation models is rounded off by an extended ESG analysis and helps the portfolio manager to make investment decisions on the basis of more comprehensive information. Specifically, the ESG analysis comprises four steps:

- Identify controversial business practices, such as serious cases of corruption and bribery
- Analyze key ESG indicators, for example ESG ratings or the ability to attract, retain and develop skilled workers
- Assess climate risks, for example in terms of 1.5°C compliance
- Identify and measure revenues in structural trend topics, for example renewable energy, energy efficiency and waste prevention.

1.2.1.3. Issuer selection government bonds

As part of a holistic ESG approach, sustainability factors are used to reduce risks and identify opportunities. Investments are only made in countries that have been classified as sustainable after passing a sustainability filter. This filter also includes the management of ESG risk factors. These are determined on the basis of ESG ratings for countries. The data comes primarily from MSCI ESG Research. The ESG rating for countries takes into account, among other things, climate-relevant indicators such as the use of energy resources and environmental performance.

1.3. Dealing with coal, oil and gas companies

1.3.1. Actively managed mutual funds

1.3.1.1. Dealing with coal companies

We do not invest in shares or bonds issued by coal developers. We define coal developers as coal producers that generate revenues of more than 5 percent by mining thermal coal (including lignite, hard coal, anthracite and steam coal) and selling it to external parties.

1.3.1.2. Other companies with existing business in the coal sector

We support the planned complete phase-out of the coal sector in Europe and many OECD countries by 2030 at the latest and in the rest of the world by 2040 at the latest. We achieve this by excluding companies that exceed defined, gradually tightened absolute and relative limits in combination with robust engagement. We exclude companies from our mutual funds that have more than a defined proportion of their business activities in the coal sector. These include:

- Over 25 percent of revenue from coal-fired power generation as of May 10, 2023, when this policy comes into effect. Based on companies' reported data for fiscal year 2025, this threshold will be lowered to 15%.
- Over 100 million MWh of coal-fired power generation.
- When selecting financial institutions, we pay attention to the existence of an environmental policy for the financing of mining companies and the existence of a CO₂ reduction target.

1.3.1.3. Dealing with oil and gas companies

- We proactively support the transformation of the oil and gas sector.
- We do not invest in companies that are active in unconventional oil and gas production. These are identified on the basis of a turnover threshold of more than 5 percent of turnover from unconventional oil and gas production.
- We do not invest in shares and bonds that are not credibly committed to the net zero target. The specific target formulation and existing progress in achieving it are taken into account as a yardstick.
- We do not invest in companies with the following climate controversies:
 - Companies that derive more than 5 percent of their revenues from oil sands, shale oil or shale gas.
 - Companies with very serious environmental controversies.

- When selecting financial institutions, we look for the existence of an environmental policy for financing oil and gas companies and the existence of a CO₂ reduction target.

1.3.2. Metzler "Sustainability" mutual funds

Stricter criteria apply to the active discretionary mutual funds in Metzler Asset Management's "Sustainability" family. Companies that generate more than 10 percent of their revenues from electricity generation based on thermal coal are excluded.

1.3.3. Use of target funds

When investing in target funds, we adhere to the limits listed under 1.3.1 wherever possible. If, for example, no matching reference indices are available for passive funds, we use reference indices that come as close as possible to the guideline. If no suitable funds are available in individual asset classes, we will encourage product providers to launch corresponding funds.

1.3.4. Client-specific mandates/special funds

We take the following approach for client-specific mandates and special funds:

- By default, we apply the limits listed under 1.3.1. Additional client-specific requirements may deviate from the criteria in the guidelines and override them in part or in full.
- External management: The selection criteria for external partners apply in accordance with the criteria in our mutual funds.

1.4. Derivatives

Derivatives are used by the fund in accordance with the information in the sales prospectus and the investor's instructions. A regular review is carried out to determine whether ESG derivatives are available in sufficient liquidity and reference indices.

1.5. Climate initiatives

Metzler Asset Management GmbH is a member or supporter of various associations and initiatives that are committed to climate issues.

On November 1, 2021, Metzler Asset Management GmbH joined the **Net Zero Asset Managers Initiative**. As a signatory to the initiative, Metzler Asset Management GmbH is committed to contributing to the goal of net zero greenhouse gas emissions by 2050 or earlier by developing appropriate investment products and promoting investments in climate protection technologies and solutions. This is also in line with global efforts to limit global warming to 1.5 degrees Celsius and is a clear sign that the asset management industry places a high priority on climate protection.

In 2012, Metzler Asset Management GmbH was one of the first German asset managers to sign the **Principles for Responsible Investment** (UN PRI), which were established in 2005 on the initiative of the United Nations as a voluntary commitment by signatories.

Metzler Asset Management GmbH has also been a member of the **Forum for Sustainable Investments** (FNG) since 2002. The aim is to raise awareness of sustainable investment solutions and thereby trigger a positive steering effect in investments. Through FNG, we are also an indirect member of **EuroSIF** and a signatory to the **Carbon Disclosure Project** and the **Water and Forestry Disclosure Project**.

In addition, Metzler Asset Management GmbH is a founding member of the **sustainability initiative "Green and Sustainable Finance Cluster Germany"**.

The new cluster aims to further promote sustainable development and the associated transformation process in the financial sector. The cluster uses its combined financial market expertise to make financial market structures fit for the future - both nationally and throughout Europe - and is also in regular contact with politicians on the topic of sustainability. Metzler Asset Management is also a sponsor of the "Green and Sustainable Finance Cluster Germany".

Metzler Asset Management is a supporter of the **Task Force on Climate-Related Financial Disclosures** (TCFD): The Task Force on Climate-Related Financial Disclosures established by the Financial Stability Board (FSB) is committed to the disclosure of climate change-related information and data by companies. Companies are required to analyze and assess the opportunities and risks arising from climate change. The additional information is intended to support investors in making informed decisions. As a supporter of the TCFD, Metzler Asset Management is committed to greater transparency in climate reporting.

Pathways to Paris: In 2021, Metzler Asset Management GmbH took part in the **"Pathways to Paris" project**, contributing to the implementation of the transformation to a low greenhouse gas emissions economy. The core objective of the project is to strengthen the common understanding of a transformation in line with the goals of the Paris Climate Agreement between the real economy and the financial sector. Pathways to Paris is implemented by WWF Germany and PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and funded by the Federal Republic of Germany.

1.6. ESG portfolio controlling and risk management

As part of our **portfolio controlling**, we use our MIG21 (GX Compliance) system, which is linked to our front office, to check orders for compliance with customer-specific, legal and internal restrictions. Companies in which we do not invest due to the exclusion criteria, for example because they do not comply with the generally recognized standards catalogs of the United Nations, the UN Global Compact and the International Labor Organization (ILO) are marked as blocked securities in our MIG21 (GX Compliance) system. It is therefore not possible to invest in them.

The following **meetings** relating to ESG serve to ensure continuous **risk management**:

- Regularly convening ESG Board of Metzler Asset Management GmbH
- Monthly performance review meeting with Portfolio Management, CIO and Fund Risk Controlling. In addition to the monthly portfolio analysis – the comparison of return and risk figures for all funds and their benchmarks – ESG key figures are also evaluated (companies with "very severe controversies" [red flag] in MSCI ESG Research).

Fund Risk Controlling prepares a monthly ESG risk report. It includes relevant ESG risk indicators on controversial business practices and violations of global standards, on the quality of the ESG standards, the quality of ESG risk management and the physical and transitory climate risks of the assets aggregated at fund level.

The key figures "implied temperature rise" and "climate value at risk" make it possible to assess the resilience of assets as a result of adverse events or scenarios – caused by physical, transitory climate risks.¹

The fund risk report enables the identification, assessment, management, monitoring and reporting of sustainability risks. A risk assessment of the funds is carried out as at the reporting date using defined thresholds.

¹ The data is based on information from MSCI ESG Research

2. Exercise of voting rights and engagement

Metzler Asset Management GmbH, together with the specially mandated Columbia Threadneedle Investments, ensures that business-relevant ESG challenges are addressed in discussions with the companies represented in our portfolios (so-called **engagement**).

Climate risks play a key role in the engagement and voting process. The results of the engagement and voting process are published annually on the Metzler Asset Management website.

Columbia Threadneedle Investments has also been commissioned to **exercise** voting rights. Columbia Threadneedle Investments prepares reports on this and on the milestones achieved in the engagement, some of which we include in the ESG reporting for our clients.

The current principles on ownership responsibility and the engagement process are available on our website at any time:

www.metzler.com/esg

➔ about dialog and voting rights

Metzler Asset Management

ESG Risk Policy

Frankfurt/Main, January 2023

Contents

	Page
1. ESG philosophy	31
2. ESG integration – selection of individual stocks	31
3. Exclusion criteria for all equity, corporate bond and multi-asset portfolios	32
4. ESG – portfolio controlling and risk management	32
5. ESG fund risk controlling	33
6. ESG reporting	33

1. ESG philosophy

ESG is short for "Environmental, Social and Governance".

For us, sustainability includes a clear commitment to developing concepts that are feasible in the long term. This relates first and foremost to products and services, but also to providing long-term support to our clients in all matters relating to financial markets. The commitment to a sustainable business strategy is thus a core component of how Metzler Asset Management GmbH sees itself.

Not only do we consider financial criteria in the investment process for our equities, corporate bond and multi-asset funds, we also look at how companies integrate environmental, social and governance aspects. In particular, the aim is to further enhance the risk-return profile of our portfolios.

If portfolio management for funds or individual fund segments of Metzler Asset Management GmbH is outsourced to companies outside the Group, it is the responsibility of the respective fund manager to implement a strategy for the inclusion of sustainability risks as part of its pre-investment process.

2. ESG integration – selection of individual stocks

The integration of sustainability components is realized throughout the entire investment process. Systematic and sector-specific ESG research processes and screenings for a more sustainable choice of individual stocks and corporate bonds are aimed at improving long-term risk-adjusted performance. Consideration of sustainability components and key figures by portfolio management is mandatory and documented accordingly.

Our team of ESG experts participates regularly in events and conferences focusing on more sustainable investing.

3. Exclusion criteria for all equity, corporate bond and multi-asset portfolios

For all equity, corporate bond and multi-asset funds, exclusion criteria are applied based on 120 international norms and conventions. The data mostly stems from MSCI ESG Research. In case of a "very severe controversy," the most serious infringement of one of these standards, we exclude the company from the investment universe. Companies that produce and/or distribute banned weapons are also excluded from our investment universe. The United Nations classifies various weapon systems as an extreme violation against humankind and has thus adopted several conventions to ban these weapons. Banned weapons include anti-personnel landmines, nuclear weapons, biological and chemical weapons, and cluster munitions. Manufacturers of uranium munitions are also excluded, although they are not yet explicitly banned by conventions.

If requested by the client, we integrate other criteria into the investment process using, for example, data from ISS ESG.

4. ESG – portfolio controlling and risk management

The MIG21 system (GX Compliance) that is linked with the front office system checks orders ex-ante to ensure compliance with legal, contractual, client-specific and internal restrictions. Companies where exclusion criteria apply (e.g. because they do not comply with the general recognized standards of the United Nations, the UN Global Compact and the International Labor Organization ILO) are blocked in our MIG21 system (GX Compliance) and are thus not eligible for investment.

The following ESG **meetings** are part of our ongoing **risk management**:

- Regular meetings of Metzler Asset Management GmbH's ESG Board
- Monthly performance review meetings with portfolio management, CIO and Fund Risk Controlling. In addition to monthly portfolio analysis (i.e. comparison of risk/return ratios for all funds and their benchmarks), ESG indicators are also evaluated (companies with very severe controversies, i.e. a red flag, at MSCI ESG Research).

5. ESG fund risk controlling

Metzler's fund risk controlling staff prepares a monthly ESG risk report. This report covers the relevant ESG risk indicators for controversial business practices and violations of global norms, the quality of ESG risk management as well as the physical and transitory climate risks of the assets aggregated at fund level.

Using the "warming potential"¹ of the funds and the so-called "climate value at risk"¹ figure, we examine an asset's resilience to adverse events or scenarios caused by physical, transitory climate risks.

The fund risk report enables us to identify, assess, manage, monitor and report sustainability risks. A risk assessment of the funds is carried out as of the reporting date based on defined threshold values.

6. ESG reporting

Metzler Asset Management GmbH is continuously expanding its **ESG reporting**. Currently, we provide a detailed review of the portfolios according to social, environmental and governance factors. In addition, Metzler Asset Management GmbH has taken over some of BMO Global Asset Management reports on the milestones achieved in engagement. Other topics include:

- Sales in controversial business areas
- Violations of international norms
- ESG ratings of individual companies
- Climate profile of the capital investment
- Impact of the United Nations Sustainable Development Goals (UN SDGs) on the portfolio
- Analysis in the context of regulations
- Transparency initiatives
- ESG in a country profile (government bonds).

¹ Data is based on information from MSCI ESG Research

Metzler Asset Management
Direct Engagement – Silent Active Ownership

Frankfurt/Main, October 2021

Direct Engagement – Silent Active Ownership

Responsible investing does not end with the investment decision. Once we have identified what could be most damaging to long-term shareholder or bondholder value, we hold intensive discussions with representatives of the companies in which we invest.

The aim is to encourage them to make improvements in ESG and adopt best practices for managing ESG issues. Our engagement addresses different ESG risks, and we influence companies from a wide range of sectors and countries.

The following topics are often included in our discussions:

- Environmental standards
- Human rights
- Safety at the workplace
- Corporate governance.

When we encourage companies to adopt a best practice approach to ESG issues, we refer them to the relevant international codes and standards, such as the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact. However, such standards are often only the starting point for building a common understanding of ESG issues. Our engagement is tailored to the individual companies and is geared to the specific circumstances of each ESG issue. We use a variety of tools and methods to communicate, including face-to-face meetings, conferences, phone calls and emails.

Each of our portfolio managers participates in around 200 company meetings a year. We keep records of these meetings in a database. In these discussions, we address the financial and economic aspects of the company's business model as well as ESG aspects in consultation with our Sustainable Investment Office (SIO). Our silent active ownership approach is not about making public appearances at annual general meetings; it's about constructive discussions with decision-makers like the CEO or CFO. Our portfolio managers and SIO see themselves as sparring partners.

Metzler Asset Management Proxy Voting Policy

Frankfurt/Main, October 2021

Contents

	Page
1. Legal framework	38
2. Guidelines for exercising voting rights	39
3. Fundamentals of exercising voting rights	40

1. Legal framework

The German Investment Code (Kapitalanlagegesetzbuch) and the Rules of Good Conduct (Wohlverhaltensregeln) of the German Investment Funds Association (BVI), the principal association representing the interests of investment management companies, both require that investment management companies exercise the voting rights for the corporate securities held in their funds exclusively in the interests of investors. Metzler Asset Management GmbH takes seriously this fiduciary responsibility toward its clients, and votes on their behalf according to clearly specified criteria, exercising proxies either itself or through authorized third parties.

2. Guidelines for exercising voting rights

Good corporate governance typically leads to a rising stock price in the long term. Metzler Asset Management GmbH therefore appreciates well-run corporations. The firm talks to companies on a regular basis about key matters of corporate governance and business activity. By engaging in dialogue and exercising voting rights appropriately, Metzler Asset Management GmbH can evaluate management performance and exert influence.

As a long-term investor, Metzler Asset Management GmbH will generally support all those measures that can enhance the value of the company in question in the long term and will oppose any measures that would counteract such long-term appreciation. It is the view of Metzler Asset Management GmbH in this context that, for a company to be considered well-run, it must comply with applicable laws and corporate-governance codes and take account of the relevant environmental and social standards (ESG). Aside from being the right thing to do, acting responsibly and giving due consideration to environmental and social issues will serve to enhance a company's long-term success, thereby increasing its value.

Consideration of sustainability criteria through the exercise of voting rights

When submitting requests to annual general meetings, Metzler Asset Management GmbH considers environmental and social characteristics as well as good corporate governance practices and checks the compatibility of the individual requests. In this regard, Metzler Asset Management GmbH makes use of assistance from the mandated service provider Columbia Threadneedle Investments (CTI), who's voting guidelines are incorporated herein by reference. The guidelines are reviewed by Metzler Asset Management GmbH in annual meetings. Likewise, the voting recommendations of CTI for individual invested companies are reviewed annually by sample. If Metzler Asset Management GmbH considers a proposal at an annual general meeting to be incompatible with social and environmental concerns after appropriate consideration of all circumstances, the firm will abstain or vote against such proposals.

3. Fundamentals of exercising voting rights

In general, Metzler Asset Management GmbH exercises voting rights for all administrated funds. This also applies to mandates with outsourced portfolio management. In individual cases and in the case of client-specific request or requests of an external investment manager, however, the exercise of voting rights can be transferred to a third party. Any resulting additional costs are to be regulated in individual agreements. Voting rights are also exercised for mandates of Universal-Investment-Gesellschaft mbH managed by Metzler Asset Management GmbH. This includes all mutual funds and can also be exercised for special AIFs on client request.

Metzler Asset Management GmbH and Universal-Investment-Gesellschaft mbH will normally register to vote all the shares held in the funds managed by it, irrespective of how it plans to vote. Metzler Asset Management GmbH will vote against proposed resolutions that it opposes. In case of doubt or insufficient transparency regarding the issue, Metzler Asset Management GmbH will abstain.

If conflicts of interest should arise for Metzler Asset Management GmbH on voting points, the firm will abstain from voting on these points. Such conflicts of interest may arise both from the activity of Metzler Asset Management GmbH as investment management company and from the activities of other Metzler Group companies.

In all other respects, Metzler Asset Management GmbH will always perform a cost-benefit analysis for the exercise of voting rights. For example, if exercising voting rights were to involve excessive effort or disproportionately high costs, Metzler Asset Management GmbH would refrain from exercising these voting rights.

If third parties are involved in the exercise of voting rights, recommendations are reviewed by Metzler Asset Management GmbH and, if necessary, supplementary or deviating instructions as well as specific instructions on individual items on the agenda are issued.

Columbia Threadneedle Investments Proxy Voting Policy

Frankfurt/Main, January 2024

Contents

	Page
1. Introduction	43
2. Purpose	44
3. Background	44
4. Global proxy voting process	45
5. Global proxy voting framework	45
5.1. Corporate governance guidelines	45
5.2. Kon The firm's global conflicts of interest policy – proxy voting	46
5.3. Stewardship code statement	47
5.4. The RI team	47
5.5. The proxy working group	48
5.5.1. The chair	49
5.5.2. Investment operations teams	49
5.5.3. Fund/Portfolio Managers	49
5.5.4. Governance committees	50
5.6. Categorisation of votes: execution & manual voting	50
5.7. Regional authority for manual vote recommendations	52
5.8. Independent proxy voting administration	53
5.9. Disclosures – client, public and regulatory	54
5.10. Record keeping	54
6. Monitoring and reporting	55
7. Exceptions/Escalations	55
8. Cross-references	55

1. Introduction

The Responsible Investment Proxy Voting Policy (“Policy”) applies to all Directors and employees of Columbia Threadneedle Investments (“Firm”) that support the following legal entities, which have adopted this Policy:

- Threadneedle Asset Management Ltd.
- Columbia Threadneedle Management Ltd.
- Columbia Management Investment Advisers, LLC
- Threadneedle Investments Services Ltd.
- Columbia Wanger Asset Management, LLC
- Threadneedle International Ltd.
- Threadneedle Management Luxembourg S.A.
- Threadneedle Investments Singapore (Pte.) Ltd.
- Columbia Threadneedle Netherlands B.V.
- Columbia Threadneedle (EM) Investments Limited

Employees must ensure that the necessary actions required to comply with this Policy are implemented and executed.

The objectives of this Policy are to:

- Reinforce the Global Proxy Voting Framework (“Framework”) and process for the Firm’s voting;
- Ensure proxies are voted in the best economic interests of clients;
- Address material conflicts of interest that may arise;
- Comply with disclosure and other requirements in connection with its proxy voting responsibilities; and
- Set the requirements and expectations for those individuals and groups involved in the Firm’s proxy voting process globally, including to meet regional regulatory requirements.

Please see Appendix A for a set of defined terms used in this Policy..

2. Purpose

This Policy was created to ensure knowledge of and compliance with the Framework and associated regional regulatory requirements.

This Policy outlines our approach to and implementation of proxy voting by our Responsible Investment (“RI”) Team (defined below). The Policy applies globally to all Columbia Threadneedle Investments client accounts to the extent agreed upon and/or permissible. It also outlines our approach to proxy voting on behalf of reo® clients¹ and is supplemented by the Responsible Investment Engagement Policy.

3. Background

This document outlines the principles as well as the roles and responsibilities for all employees whose role involves interactions with the global proxy voting process.

The Firm needs to fulfil fiduciary responsibilities in terms of how proxies for companies in their portfolios are voted. The Firm must act in the best interests of any account to which it provides portfolio advisory services, including investment funds or separately managed accounts (together “Portfolios”). Since a client is the beneficial owner of its portfolio securities, the Firm, acting on the client’s behalf, has the right and the obligation to vote proxies relating to the client’s portfolio securities subject to any practical limitations or exceptions (including, for example, because a client has opted not to delegate voting discretion to the Firm, due to technical or administrative issues, share blocking, option rights, or other exception or market-specific issues). Subject to specific direction from the client, the Firm will vote proxies related to each Portfolio’s securities in a manner it determines to be in the best interests of each Portfolio. The Firm may determine that what is in the best interest may differ by client due to differences in investment objectives, different applicable regulatory requirements, or other reasons. For example, with respect to ERISA accounts, there is typically an affirmative obligation to vote proxies for an ERISA account for all votes with a discernible economic benefit, unless the client expressly retains proxy voting authority.

While the Firm will make reasonable efforts to vote securities on behalf of clients, voting proxies of companies in certain jurisdictions may involve greater effort and cost due to the variety of regulatory schemes and corporate practices. Certain countries require securities to be blocked prior to a vote. The Firm typically will not vote securities in shareblocking countries as the need for liquidity outweighs the benefit of voting. There may also be additional costs

¹ reo® is a pooled service that allows investors to receive engagement, and proxy voting where selected, on equity and corporate bond holdings, independent from portfolio management services received either from third party asset managers or Columbia Threadneedle Investments.

associated with voting in certain countries such that the Firm may determine that the cost of voting outweighs the potential benefit.

Some of the Firm's clients may participate in securities lending programs. In these situations, in which the Firm is responsible for voting a client's proxies, the Firm will work with the client to determine whether there will be situations in which securities loaned out under these lending arrangements will be recalled for the purpose of exercising voting rights. In certain circumstances securities on loan may not be recalled due to clients' preferences or due to circumstances beyond the control of the Firm.

4. Global proxy voting process

Effective 2023, the Firm exercises Portfolio votes at investee company meetings through the global proxy voting process, other than where a client mandate specifies the use of a specific alternative proxy voting policy.

5. Global proxy voting framework

5.1. Corporate governance guidelines

The Guidelines set out our expectations of investee companies in terms of good governance and guide how we vote securities of, and (where applicable) engage, in relation to proxy voting, on environmental, social and governance matters with, investee companies. These address matters related to topics such as shareholder rights, boards of directors, corporate governance, compensation, capital management, environmental, social and governance practices and certain other matters. Corporate governance has particular importance to us in this context, which reflects our view that well governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable growth and returns for our clients.

The Guidelines outline the Firm's expectations of good practice for items that appear most frequently in proxy voting resolutions at shareholder meetings and reflect how the Firm is likely to vote. Where a company's practices fall short of these expectations, the Firm may oppose

the resolution, either through a vote against or an abstention depending upon the severity of our concerns.

The Guidelines are applied globally save to the extent that one or more legal entities within the Firm are required for some or all their client portfolios to apply an alternative set of guidelines to the Guidelines, or otherwise determine that such alternative should be applied to these portfolios in client best interests.

The Firm is also sensitive to governance practices and norms in local markets and has developed specific Voting Rules that, whilst derived from the Guidelines, take into account nuances to governance best practice for a number of individual countries or regions that supersede the general guidelines. These marketspecific Voting Rules are applied in over 20 jurisdictions. The Firm's Guidelines and Voting Rules also cover how we vote on shareholder resolutions, investment funds and other investment vehicles such as investment trusts. However, from time to time one or more legal entities within the Firm may vote contrary to one or more other affiliates.

The Guidelines, and any alternative set of guidelines applied for specific client portfolios, are reviewed annually; any changes are proposed by the RI team and approved by the Proxy Working Group and the Governance Committees. Any reference in the remainder of this document to the Guidelines or Proxy Voting Rules shall also be deemed to refer, where applicable, to any alternative applied for specific client portfolios.

We have also published separate corporate governance and responsible investment guidelines for debt, which reference associated efforts in the fixed income space.

5.2. Kon The firm's global conflicts of interest policy – proxy voting

As an asset management business, we seek to act in the best interests of clients when carrying out our investment activities, including Proxy Voting.

Conflicts of interest may arise in our investment activities, and the Firm's Global Conflicts of Interest Policy – Proxy Voting, an addendum to this Policy, defines how we identify, and manage potential conflicts to serve our clients' best interests. For purpose of this Policy, a conflict of interest is a relationship or activity engaged in by the Firm or a Firm employee that creates an incentive (or appearance thereof) to favor the interests of the Firm, or the employee, rather than the clients' interests. A conflict of interest is considered to be "material" to the extent that a reasonable person could expect the conflict to influence the decision on the particular vote at issue.

5.3. Stewardship code statement

The Firm currently maintains Stewardship Code/Principles Statement disclosures, for the UK, Japan, and Taiwan.

5.4. The RI team

The RI Team is made up of individuals with corporate governance knowledge who are responsible for the implementation of the Firm's active ownership approach, including the analysis and instruction of the Firm's proxies, pursuant to the Global Proxy Voting Model. They utilise specific regional governance expertise and collaborate with Portfolio Managers ("PMs"), Investment Research Analysts ("Analysts") and PWG members (where applicable), factoring in company specific information and engagement context as well as information obtained from outside resources, including one or more third-party research providers to avoid votes against management where possible¹. In addition, designated RI Team members are responsible for undertaking all administrative processes necessary for the timely execution of proxy votes.

The RI Team has primary responsibility for the operation of the Framework and carries out daily and weekly voting workflows to discern what meetings should be manually voted by the RI Team, after consultation with Fundamental Research and Portfolio Management teams, where applicable.

The RI Team liaises with other operational teams within the Firm in relation to the timely onboarding of Firm and third-party client reo[®] accounts onto the platform of Proxy Administrator.

The RI Team arranges the delivery of client specific proxy voting reporting for all regions and entities in scope of the global proxy voting process. In addition, the Firm's votes are disclosed on our vote disclosure websites, as arranged through the Proxy Administrator.

Not less frequently than annually, the RI Team will review and propose changes, if any, for approval by the PWG and the Governance Committees, to the Corporate Governance Guidelines.

The RI Team will provide the Proxy Voting Rules, in accordance with the Corporate Governance Guidelines to the Proxy Administrator to use for execution purposes. If the Proxy Administrator requires assistance in interpreting the Proxy Voting Rules or the Proxy Voting Rules are otherwise unclear as to how a particular matter should be voted, then the RI Team will work with the Proxy Administrator to clarify how the matter should be voted by applying the principles and policies underlying our Corporate Governance Guidelines.

¹ Vote directions may be subject to override by one or more clients of the Firm.

The RI Team will consult with PMs and Analysts to obtain direction as to how to vote on a matter in the following circumstances:

- If the RI Team believes that votes should be executed contrary to the Corporate Governance Guidelines, as executed by the Proxy Administrator, for a matter the PWG has not previously provided direction on and the result would be a vote direction not in support of management recommendations; or
- If the principles and policies underlying our Corporate Governance Guidelines do not clearly provide direction on as to how the matter should be voted in circumstances where the Proxy Administrator has referred such vote to the RI team for a decision; or
- Where any vote relates to a ballot forming part of M&A activity or a proxy contest.

The RI Team will escalate votes to the PWG where:

- Consensus on how to vote cannot be achieved by the RI Team through the socialisation of votes with PMs and Analysts; or
- A vote is considered reputationally or otherwise sensitive to the Firm.
- The RI Team maintains a log of Manual Vote Recommendations that are proposed to the PWG for review and approval that includes a rationale for why we are voting, when not in line with the Corporate Governance Guidelines.

5.5. The proxy working group

The PWG is established to support, approve, and oversee how each legal entity exercises its voting rights in investee companies through the Corporate Governance Guidelines and ensure they are aligned with clients' best interests.

The PWG's full mandate is outlined in its Terms of Reference but broadly speaking, the PWG includes Regional Representatives and is responsible for:

- Review and approval of changes to this Proxy Voting Policy proposed by the RI Team;
- Approval of the Corporate Governance Guidelines and other policies and procedures pertaining to proxy voting corporate governance;
- Monitor adherence of proxy voting activities to the applicable policies and procedures as evidenced by our Annual Voting Report;
- Providing direction to the RI Team on how to vote on certain matters, including where votes will not be executed under the Proxy Voting Rules by the Proxy Administrator;
- Communicating proxy decisions back to the RI Team for execution; and
- Acting as a focal point to collate regional investment team input and as an escalation point where the RI Team or PMs/Analysts view this as desirable.

5.5.1. The chair

The PWG Chair maintains the following characteristics and responsibilities:

- As an individual with Corporate Governance, ESG and other expertise, his or her main responsibility is to be a point of escalation and consultancy for PWG members, in cases where the RI team, PMs and Analysts are unable to reach consensus on a particular vote decision;
- Where the Chair deems a split vote may have specific reputational or other risks, the Chair can escalate to the Governance Committees;
- The Chair does not have the authority to enforce a vote recommendation on members of the PWG and for avoidance of doubt, PWG members cannot delegate discretion over votes to the Chair; and
- Coordinate quarterly and ad hoc meetings of the PWG, including at the request of RI Team and PWG members.

5.5.2. Investment operations teams

The Firm's Investment Operations Teams (where they perform ancillary proxy voting operational functions) perform the following key activities in the global proxy voting process:

- Advise the RI Team or arrange for the RI Team to be advised of new clients that require on-boarding and clients to be removed from the proxy voting service contemplated in this document; and
- Notify the Proxy Administrator of reporting requirements as needed from time to time to be set up on its platform and act as a co-ordination point for all reporting received from the Proxy Administrator.
- Advise the RI Team of specific regulatory changes that may impact the implementation of the Framework.

5.5.3. Fund/Portfolio Managers

PMs perform the following key activities in the global proxy voting process:

- Review voting intentions, as set forth in Section 5.6;
- Highlight/request overrides or manual voting to the RI Team in place of any votes set to be voted by the Proxy Administrator in line with the Proxy Voting Rules;
- Provide feedback and/or guidance on voting for issues raised to them by the RI Team, PWG and/or Governance Committees; and
- Review and provide feedback to the RI Team and PWG on the annual review of global proxy process related policies and guidelines.

5.5.4. Governance committees

The Governance Committees provide oversight of the Framework. The Committees are responsible for supporting, approving, and overseeing the adoption and application of the Firm's active ownership approach and activities relating to ESG matters (including how each legal entity within the scope exercises voting rights in its investee companies through the Firm's Global Proxy Voting Framework) and ensuring the approach is aligned with our clients' best interests. As such, they do not replace, supersede, or nullify the lines of escalation within management of the Firm's lines of business, any other component of the Firm's corporate governance (including Board authority), or Ameriprise Financial, Inc. policies and procedures.

The Governance Committees provide the following oversight:

- Review and approval of the Framework's related policies and guidelines (see Appendix);
- Monitor adherence to the Firm's proxy voting to the policies and guidelines as evidenced by the Firm's Annual Voting Report;
- Act as an escalation point for matters where the PWG seeks further guidance on an ad hoc basis and
- Review and approve RI Team procedures, which reference and are linked to the global proxy voting process.

The Governance Committees approve the delegation of specified responsibilities to the PWG as set out in its terms of reference which they have approved. The Committees also approve any change in the Regional Representatives and ensure the Regional Representatives have the resources and abilities to act in the best interest of clients within their region.

5.6. Categorisation of votes: execution & manual voting

PMs and Analysts, globally, are furnished with details of vote intentions for all upcoming meetings, pursuant to the application of our Proxy Voting Rules by our Proxy Administrator. Based on this information, PMs and analysts can request overrides of any specific vote intention if they deem it as in one or more clients' best interests. Any such override is in the first instance referred to the RI Team for review. In the event that consensus cannot be reached on any request vote override, then the matter can be escalated by either the RI Team and/or the PMs and Analysts to the PWG as referenced above in 5.4. In terms of the categorisation of votes, meetings are then defined as either Priority or Non-Priority, based on defined criteria.

All votes are executed in line with the Firm's Proxy Voting Rules, as coded into the Proxy Administrator's system. The actions subsequently taken are determined by the prioritisation process.

In the case of Non-Priority meetings, the RI Team maintains the authority to execute votes (subject to override requests), utilising "positive discretion" where applicable as set out below – this mainly relates to referred items and reo® client only meetings. The vast majority of Non-Priority meetings will be voted pursuant to the Firm's Proxy Voting Rules without additional intervention by the RI Team.

Priority meetings, as derived by the prioritisation process, are analysed by the RI Team. Pursuant to this analysis, the RI Team maintains “positive discretion”, where:

- The Firm’s Proxy Voting Rules result in a vote recommendation in support of management, to agree with the recommendation and instruct the vote without specific socialisation with PMs and Analysts (although these voting intentions are provided to PMs and Analysts, who may request overrides);
- The Firm’s Proxy Voting Rules result in a vote recommendation not in support of management, to factor in additional information such as company specific and engagement information to avoid the vote against, without specific socialisation with PMs and Analysts;
- ISS is unable to discern how to apply the Firm’s Proxy Voting Rules, to analyse the proposal and where the resultant recommendation, from the RI Team, is to support management to apply the vote without specific socialisation with PMs and Analysts; or

The RI Team may also define additional areas of discretion, in collaboration with PMs, Analysts and PWG members from time to time. At all times, PMs and Analysts maintain the ability to request an override of an RI Team decision if they believe a different vote is in a client’s best interest.

Where the Firm’s Proxy Voting Rules result in a recommendation that is not in support of management proposals, or a referral is made by the Proxy Administrator to the RI Team, and the RI Team analyses the proposals and confirms/determines that the Manual Vote Recommendation should be against management, the RI Team will:

- Consult with PMs and Analysts providing the specific rationale for the vote against management and aim to reach consensus for the vote instruction across all PMs and Analysts, unless the issue has been previously covered and documented on the list of voting exceptions for which the RI team can use “positive discretion”;
- Put forward to the PWG for their review and consultation where a consensus cannot be achieved with PMs and Analysts on how to vote a specific meeting or proposal, to gain consensus or permission on how such vote should be exercised which may include splitting the voting outcomes (including but not limited to for reasons such as differing investment mandates from clients);
 - The RI representative states the voting recommendation arrived at and makes the case to the PWG as to the rationale behind it. The representatives of the PWG are given an opportunity to respond to the assertions made by the RI Team in terms of the rationale behind the vote recommendation. Each PWG consultation must include the Regional Representatives of the Firm for which votes may be exercised at a meeting;
- Execute the vote in accordance with the wishes of a specific PM, either immediately or as per the consensus achieved during the socialisation of the vote between the RI Team, PMs and Analysts or pursuant to the PWG escalation process; and

- For avoidance of doubt, the RI Team reserves the right to split votes, as per the PMs wishes, where escalation to the PWG would lead to the untimely execution of votes.

Some PMs may want the RI Team to manually vote all the companies held in their accounts to ensure that a closer look is taken at company resolutions, and where applicable, consult the PM for their opinion on how to vote the resolution. Where an all-fund review is requested by a particular PM, this will be incorporated into the vote categorisation process, such that all meetings for that fund will be flagged as a Priority Meeting.

As part of the foregoing, the scope for conflicts and abuse in related party transactions is a potentially significant issue. Such concerns can arise in relation to individual transactions or from the number, nature or pattern of them. Alongside appropriate procedures to identify and manage conflicts of interest, the Firm seeks to maintain a robust, independent process for reviewing, approving and monitoring related party transactions (both individual transactions and in aggregate), as described in section 5.2 above.

5.7. Regional authority for manual vote recommendations

Where upon the RI Team's analysis, a vote instruction that is against management recommendations prevails, a Manual Vote Recommendation will be initially proposed to PMs and Analysts by the RI Team. Where PMs and Analysts agree with the RI Team's Manual Vote Recommendations, the RI Team will execute the votes as such.

Where PMs and Analysts disagree with the Manual Vote Recommendations and make assertions as to why the vote against management should not hold, the RI Team will review the assertions made and if they agree with them then the vote will be executed as such.

Where the RI Team disagrees with the assertions made by the PMs and Analysts or there is a difference of opinion/instruction from two or more PMs and analysts, the RI Team will escalate the vote to the PWG for review and to determine the final voting outcome for specific funds.

For any voting decision or action to apply to legal entities within an operating region the majority in favour of that decision or action must include that region's representative on the PWG; in which case the PWG's decision or action in respect of the operating region shall constitute the decision or action of the representative of that region. Where consensus still cannot be achieved, the PWG will decide if escalation to the Chair is necessary.

For votes escalated to the Chair, the Chair will consider all relevant information and assertions made by the RI Team, PMs, Analysts and PWG members and recommend a voting outcome. This will be socialised amongst the parties raising the vote. If a consensus cannot be reached and the PWG members cannot agree on a split in vote, such vote will be escalated to the relevant Governance Committee. The Chair does not have the authority to enforce a vote recommendation on the PWG members, who are not permitted to delegate discretion over votes to the Chair.

Where the Chair deems a vote to be particularly sensitive, such that to split the vote may have broader impacts e.g., on the reputation of the Firm, the Chair can escalate the vote to the Governance Committees for further input.

5.8. Independent proxy voting administration

The Proxy Administrator applies the Firm's Proxy Voting Rules, which reflect our Corporate Governance Guidelines. The Voting Rules are hard coded into its system to enable the execution of votes through its platform. Consequently, this execution process is independent of the RI Team other than, where the Proxy Voting Administrator is unable to discern how to apply our policy and refers a vote to the RI Team for instructions.

When the Proxy Administrator requires guidance in executing our voting directions or in certain other situations in which we would like to further consider how to vote on a matter, the Proxy Administrator consults with the RI Team and obtains instructions on how to proceed. For expediency, this is usually in the form of a 'refer' recommendation from the Proxy Administrator on a specific proposal or proposals on an individual company ballot.

The RI Team is independent from any individual investment team within the investment function, reporting directly to the Global CIO. The RI Team documents a rationale for Manual Vote Recommendations that are proposed to PMs, Analysts and the PWG for review and approval as set out above.

5.9. Disclosures – client, public and regulatory

Our regular reporting to clients includes the publication of our vote record and an annual responsible investment report on the Firm's voting activities with companies and public policy makers.

The Firm's client, public and regulatory proxy voting disclosures are sourced from information maintained by our Proxy Administrator.

5.10. Record keeping

The Proxy Administrator holds the official book of record for the Firm's proxy voting (default executed and manual voting).

The Proxy Administrator maintains records in compliance with data retention requirements.

The RI Team maintains a log of those exceptions to default logic voting that includes a rationale for votes against management recommendations and in some other instances.

6. Monitoring and reporting

Reporting is provided at the request of Investment Operations Teams or counterparts. Reports are automatable and deliverable directly from the Proxy Administrator's system. Client specific vote reporting can also be provided. All reporting requests should be sent to riquant@columbia-threadneedle.com with 48 hours' notice. Requests of more than 5 reports should be discussed separately, urgent requests will be accommodated on a best endeavours basis.

7. Exceptions/Escalations

Any exception to this Policy must be approved by the Governance Committees prior to executing the exception. Any unapproved exceptions to this Policy should be escalated immediately to the Governance Committees. If there is no consensus among all members of PWG (who have been consulted), including pursuant to the escalation to the Chair and the Governance Committees, on how to vote then the RI Team will instruct the exercise of the votes as directed by the Regional Representative of the Operating Region related to those votes.

8. Cross-references

- 8.1. Conflicts of Interest Policy – Proxy Voting
- 8.2. Global Corporate Governance Guidelines
- 8.3. Corporate Governance and Responsible Investment Guidelines for Debt
- 8.4. Stewardship Report
- 8.5. RI Engagement Policy
- 8.6. Environmental and Social Practices Statement
- 8.7. Conflicts of Interest Policy – EngagementAnhang

1. Definitionen

Corporate Governance Guidelines ("Guidelines")	The Firm's publicly disclosed corporate governance guidelines.
Global Proxy Voting Framework (the "Framework")	The global proxy voting framework outlined in section 5 of this document.
Governance Committees	the IMC- Investment Management Committee (EMEA), IOC- Investment Oversight Committee (NA), EIC – European Investment Committee (EMEA).
Investment Operations Teams	Any business unit outside of the RI Team that has direct or indirect links to proxy voting requirements e.g., fund accounting teams.
Manual Vote Recommendations	A proxy vote instruction that is against management, as recommended to PMs, Analysts and PWG members, by the RI Team as appropriate.
Proxy Administrator	The proxy voting service provider appointed to provide proxy voting administrator services to the Firm.
Proxy Voting Rules	The specific voting rule developed by the RI Team, derived from the Corporate Governance Guidelines, and coded into the Proxy Administrator's system for execution purposes.
Proxy Working Group (PWG)	The group of individuals from the Firm, including Regional Representatives whose responsibilities are set out in the PWG Mandate.
Regional Representative	Individual(s) authorized by all Operating Regions to act as the legal entities' representative on the PWG.

Conflicts of Interest Addendum – Proxy Voting

Frankfurt/Main, January 2024

Introduction

At Columbia Threadneedle Investments, we seek to act in the best interests of our clients in our investment management business in line with our stewardship obligations. We recognise conflicts of interest may arise in our investment activities and any services we provide. We seek to identify, and then prevent and/or manage conflicts to serve our clients' best interests.

This is an addendum to our Responsible Investment Proxy Voting Policy, outlining our approach to and implementation of proxy voting. It outlines how we deal with certain potential conflicts between our interests and those of our clients, or between the interests of two or more clients, and across all asset classes between teams who are involved in proxy voting (being our Active Ownership (AO) team, who implement our proxy voting process and the execution of votes, and other teams within Columbia Threadneedle Investment (Research, Portfolio Management) who are also involved in this activity.

This addendum does not represent a complete list of all potential conflicts relevant to our proxy voting activity; rather it sits alongside our wider conflicts of interest policies referenced below under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated across the organisation. From time to time, we may need to adjust our approach to dealing with conflicts from that outlined below to deal with the issues raised by a particular set of circumstances.

Voting the meeting of an issuer who is also a client

We may vote at the shareholder meeting, of an investee issuer where the issuer (or a related party such as a sponsored pension scheme) is also a client.

We treat all our clients equally in our proxy voting activities. We do not alter our position due to a business relationship that an issuer may have with us or any other part of the wider Ameriprise Financial, Inc. group although we may collaborate with other business areas within Columbia Threadneedle Investments or the wider Ameriprise Financial, Inc. as part of the effective management of any potential conflict arising because of such a business relationship. Unless an institutional client instructs us otherwise, we apply our Corporate Governance Guidelines¹ to all client portfolios in a manner that considers our clients' respective investment objectives and best interests (including best long-term economic interest).

Columbia Threadneedle Investment's Responsible Investment (RI) Corporate Governance and Proxy Voting frameworks are developed and executed by the Active Ownership (AO) team with input from internal Fundamental Research Analysts and portfolio managers, who maintain the ability to request overrides over the standard votes cast in relation to their fund holdings through our Proxy Voting Working Group. Our Corporate Governance Guidelines are available on our website and provide further detail on our stance around corporate governance best practice. They are further supplemented by our Proxy Voting Policy, which provides additional detail on the operation of the Proxy Voting framework.

¹ Including: applicable RI investment policies, Engagement Policy, Proxy Voting Policy, Environmental and Social Practices Statements

Proxy Voting of an issuer involving an Officer, Director or Employee of Ameriprise Financial, Inc or any of its subsidiaries (“Officer, Director, or Employee”)

We may maintain a proxy voting position in an issuer where an Officer, Director or Employee serves on the board of that issuer.

We manage this conflict by ensuring that all such votes are always instructed by following the automated vote submission from the proxy voting service provider which explicitly follows our own Corporate Governance Guidelines.

Additionally, we apply this and other Columbia Threadneedle Investment policies specifically relating to Officers, Directors, or Employees with relationships with investee companies. For example, Columbia Threadneedle Investment’s Global Policy – Outside Activities and Family Relationships requires our employees to declare and disclose their outside business interests. In cases where there is a significant conflict, we may determine that it is inappropriate for such employees, who may also determine the same given their own personal position, to direct proxy voting with certain investee companies.

Proxy Voting to favour one client over another:

Potential conflicts of interest could arise where we vote at an issuer on a matter with a potential outcome that favours one client over another; for example, because they are larger in terms of their AuM that we manage or service as part of reo®.

We manage this conflict by treating all clients equally in our Active Ownership activities. In particular:

- Unless an institutional client instructs us otherwise, we apply our Corporate Governance Guidelines to all client portfolios in a manner that considers our clients’ respective investment objectives and best interests. This could result in our acting on a matter in the same or a different way for various clients.
- Clients also can provide us with written instruction on how to vote specific meetings.

Proxy Voting to favour one Active Ownership Analyst or Portfolio Manager or Fundamental Research Analyst over Another:

Potential conflicts of interest could arise within or between teams of AO analysts, portfolio managers or fundamental research analysts, where there is a lack of consensus on how to vote specific proposals at a shareholder meeting.

We manage this potential conflict through our Proxy Voting framework, whereby conflicts may be escalated to the Proxy Working Group, for resolution and, if necessary, ultimately to the relevant regional internal investment committee. More detail on this is provided in the Proxy Voting Policy. The AO Team also notifies all portfolio managers and fundamental research analysts of upcoming meetings that require a vote, in accordance with our prioritisation

process, whereby concerns over specific vote directions can be raised to the AO team for further analysis. Regular exchanges between Fundamental Research analysts, portfolio managers and the AO team take place to understand and align on respective proxy voting efforts.

The internal consultation process allows divergent views to be considered but does not occur at the expense of the best economic interest of our clients. We seek to treat all clients equally in our proxy voting activities.

Other conflict management tools in Active Ownership – Proxy Voting:

- **Our AO Team:** We have a team of ESG experts who work alongside, but independently from, the fundamental research and portfolio management teams. The AO team leads the development of our Corporate Governance Guidelines with input from portfolio managers and research analysts and undertakes proxy voting activities as well as research and analysis.
- **Oversight:** The relevant internal regional investment committees oversee this policy to ensure Columbia Threadneedle Investments effectively addresses conflicts of interests connected with proxy voting. Our Compliance department, as well as, where applicable, our investment fund boards may also periodically review our compliance with this policy.
- **Our Compliance and Data Protection Systems:** We have strict firewalls to keep client holdings data confidential and always protected, separating holdings of clients with managed portfolios from those of clients who subscribe only to our reo® services.
- **Transparency and Disclosure:** We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts. Our regular reporting to clients includes both our public vote record and our annual Stewardship Code report on Columbia Threadneedle Investment’s Active Ownership activities with issuers and public policy makers.
- **Conflicts of Interest Policy:** Columbia Threadneedle Investments maintains wider conflicts of interest policies under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated.

Corporate Governance Guidelines (CGG)

Frankfurt/Main, January 2024

Contents

	Page
1. Overview of key principles and approach	64
2. Role, structure and operation of boards	65
3. Board committees	71
4. Compensation	73
5. Audit, risk and control	75
6. Shareholder rights	77
7. Reporting	79
8. Social and environmental factors	82
9. Voting matters	86

The following guidelines apply to Columbia Threadneedle Investments' client accounts to the extent agreed upon and/or permissible including voting on behalf of reo® (Responsible Engagement Overlay) service clients, which gives investors access to our overall engagement and proxy voting service offerings.

As an asset management business, we seek to act in the best economic interests of clients when carrying out our investment activities. Our investment clients are retail and institutional investors, including corporate pension funds.

Our voting guidelines are applied to all listed equity client portfolios. However, our institutional clients always have the right to determine how we vote their securities. We will always comply with those requests.

In addition to these guidelines, general and country-specific voting guidelines are maintained and applied within the voting process. Voting guidelines provide greater detail on resolutions that will (and will not) be supported and are drawn directly from these Corporate Governance Guidelines.

In executing votes, where companies put forward a strong case for not complying with our voting guidelines, we will take this into account and adjust our vote if we believe the company is acting in the best economic interests of shareholders (and, thus, our clients). We apply our guidelines to client portfolios in a manner that considers our clients' respective investment objectives and best economic interests. This could result in our voting on a matter the same way (or differently) for different clients.

If you wish to clarify anything in these guidelines, please email your relationship manager or the Responsible Investment team at Governance@columbiathreadneedle.com. The Responsible Investment team is responsible for and reviews this document annually.

1. Overview of key principles and approach

Well governed companies are better positioned to manage risks, identify opportunities, and deliver sustainable growth and returns for our clients. These guidelines establish a consistent philosophy and approach to corporate governance and the exercise of voting rights. The approach is based on the overarching principles of:

- An empowered and effective board and management team;
- Appropriate checks and balances in company management structures;
- Effective systems of internal control and risk management covering all material risks, including environmental, social and corporate governance (ESG) issues;
- A commitment to promoting throughout the company a culture of transparency and accountability that is grounded in sound business ethics;
- Compensation policies that reward the creation of long-term shareholder value through the achievement of corporate objectives; and
- A commitment to protecting the rights and interests of all.

We recognize that such principles may be expressed differently in different markets. Therefore, our voting policies take account of local practices and are applied in a pragmatic fashion that reflects an integrated understanding of local and international good practice. In all cases, we aim to achieve the same result: the preservation and enhancement of long-term shareholder value through management accountability and transparency in reporting.

We also recognize that companies are not homogeneous and some variation in governance structures and practice is to be expected. Achieving best practice in corporate governance is a dynamic process between the board, management, and shareholders.

We encourage companies to engage in the process of shaping and meeting evolving standards of best practice. Although our voting is strongly rooted in a clear set of corporate governance principles, we approach each company's case on its merits using our expertise, discretion, and dialogue with companies to do so. For this reason, we encourage companies to contact us with information about any governance practices and challenges unique to the company. When we do not vote with management's or the board's recommendations, we may choose to inform the company of our voting decision and provide comments to explain the specific concerns with the resolutions we did not support.

2. Role, structure and operation of boards

We use the term “board” to describe the board of directors and similar supervisory decision-making bodies. The board is ultimately responsible for the management of the company.

This is mainly achieved through the delegation of powers to executive management. The board should receive the report of executive management on the conduct of the business and regularly question management on these matters. However, certain matters should be reserved for the board.

The board is responsible for setting and testing strategy proposed by executive management, determining the risk appetite for the business, ensuring the independence and effectiveness of external audit, and for succession planning of both executive management and the board.

The structure, composition and operation of boards will vary from country to country and company to company. Certain elements of effective boards are universal, and these are detailed below under the following sub-headings:

- Roles and independence;
- Competence, objectivity and refreshment;
- Effective functioning of boards; and
- Communication and accountability to shareholders.

Roles and independence

The composition of the board is of the utmost importance. Boards should have meaningful representation of both executive and non-executive directors. Non-executives should be wholly independent of the company, although we recognize that, in certain cases, connected non-executives have a valuable role to play.

The role of the chair and separation of principal roles

The roles of the chair and chief executive officer (CEO) are substantively different and should be separated. We regard separation of the roles as important for securing a proper balance of authority and responsibility between executive management and the board, as well as preserving accountability within the board. If for any reason the roles are combined (e.g., over an unexpected transitional period) this should be explained and justified in the report and accounts. In all such cases, a strong senior independent non-executive director should be nominated (i.e., a lead independent director).

Executive directors

Including executives in board meetings is essential to enhance discussion and allow independent directors to gain the fullest understanding of company operations. In markets where customary, we encourage the appointment of key executives to the board alongside the CEO and the chief financial officer (CFO). The presence of other executives provides additional company knowledge for the board and ensures the board is not solely dependent on the CEO for input relating to the company’s operations and strategies. However, the number of executive directors should not outweigh the number of independent non-executives.

Non-executive directors

We assess the number of directorships an individual director holds to ensure they have sufficient time and energy to perform their role as a non-executive director properly as this is a demanding role. Factors that determine the appropriate number of directorships are the size of the company, its complexity, its circumstances, other commitments that a director has and the results of board evaluation, among others. We consider that holding multiple directorships in large companies can be excessive even for a full-time non-executive director, especially when considering board committee participation. Multiple directorships should be avoided for a full-time executive. For complex companies, particularly in developed markets, we may vote against non-executive directors who hold more than five directorships.

Proportion of non-executive directors on the board

Difficult decisions that center on the best interest of shareholders arise from open and direct interplay between boards and company executives. It is important to have enough independent non-executive directors for an adequate diversity of views and to fulfil committee membership quotas. We expect all widely-held companies to have a majority of independent directors.

For companies with controlling shareholders, we expect there to be a minimum of one-third of fully independent directors on the board.

Independence of non-executive directors

Independence of individual directors is valued, but a well-balanced board is valued above all. We will support non-independent directors when they bring skills, sector knowledge and other experience that justify their presence on the board, particularly where the appropriate balance of independence is maintained.

The criteria for the independence of directors draw on a variety of standards, including the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance, national corporate governance codes, listing rules, and guidance provided by the International Corporate Governance Network, among others. We favor a principles-based approach, which seeks to ensure that directors can act in the interests of the company and its shareholders. Companies should consider using the corporate governance report or annual shareholder meeting materials to explain the board evaluation process, and to justify the value that non-independent directors bring to the board.

- Not have close family ties with the company's advisers, directors or senior employees;
- Not serve as a board committee chair if they have served on the board for a period of time that may hinder their independence of thought;
- Not hold cross-directorships or have significant links with other directors (see "Interlocking boards" below);
- Not be major shareholders or representatives of any special interest group, including government representatives in cases of state ownership or representatives of affiliated companies;

- Have no significant commercial involvement with the company as professional advisers, major suppliers or customers;
- Not be entitled to performance-related pay, stock options, pensions, or benefit from large donations to charitable causes of their choice;
- Not normally hold other directorships in companies in a closely-related industry so as to avoid potential conflicts of interest.

Interlocking boards

We seek to ensure that directors are not only independent from the company, but also of one another. We expect companies to disclose interlocking board relationships and to explain how the independence of individual directors is preserved when directors jointly serve on two or more of the same boards.¹

Extensive board service and independence

Prolonged membership on a board jeopardizes independence as directors may become close with management and overly invested in prior strategic decisions. Independence is critical to ensuring shareholders have adequate voice inside the boardroom. After a certain length of board service, directors may not be considered fully independent and it may be inappropriate for such directors to serve on committees, such as the audit committee, where absolute independence is a key requirement.

We recognize that there is no fixed time period where a director categorically loses independence. Nonetheless, we will leverage a respective country's own regulatory requirement regarding independence where specified. In North America, we will assess whether the average board tenure of the company is significantly beyond the respective market's average when considering the board's overall balance.

Where the appropriate balance of independence is not met, we will analyze whether to support the re-election of long-standing directors.

Independence of employee representatives

While a number of countries have legislation mandating a certain percentage of employee representatives on the board, we do not consider these individuals to be fully independent. Hence, we expect companies domiciled in countries with mandatory co-determination (the process by which employees elect their representatives to the board) or employee representation to ensure that the board and its committees have adequate representation of truly independent directors.

¹ Such interlocking relationships can raise concerns when there is an imbalance of power between the two directors.

Competence, objectivity and renewal

Diversity, competencies and perspectives

A relevant and suitably diverse mix of skills and perspectives is critical to the quality of the board and the strategic direction of the company. Companies should therefore strive to widen the pool of potential candidates for board and management roles to ensure they draw on the richest possible combination of competencies and experiences.

In all cases, candidates must be selected for their ability to oversee and enhance long-term company performance. Boards should recruit members with the appropriate combination of skills and experience, and should affirm the value of individual diversity, including gender, racial, ethnic, national origin, professional background and other relevant factors that may enhance the board's overall performance. As boards cannot be transformed overnight, we look for a statement that sets out the board's approach to promoting diversity at the board, executive management, and companywide workforce level. We welcome disclosure of specific diversity targets set by the board and subsequent reporting on performance against these targets. Where disclosure is absent and appropriate diversity levels across gender, racial and ethnic representation have not been met, we will normally not support the re-election of nomination committee chairs or other relevant directors.

Re-election of directors

To ensure that it retains an open and critical perspective, the board should be continually refreshed. For this reason, all directors should be required to submit themselves for re-election at regular intervals. We prefer to have all directors standing for annual election to strengthen the accountability of the board to shareholders. Failing that, we encourage the chair of the board, as well as the chairs of the audit, compensation and nomination committees to stand for annual re-election to strengthen accountability for the core functions of the board. We also believe that a minimum of one-third of board members should stand for election annually.

Nomination of directors

We strongly believe that a board nominating committee composed of a majority of independent non-executive directors is best placed to identify and put forward suitable candidates for the board. Shareholders should only put forward candidates where there is clear evidence of ineffective board oversight and unwillingness to correct the problem—or where a cumulative voting system or similar arrangement encourages direct shareholder participation in board nominations. We expect companies to put forward only one candidate for each available position as an indication that the company is clear about the value each director brings to the board. We encourage companies to specify each candidate's qualifications, experiences and skills that are of relevance and importance to the board's oversight of company strategy.

Balanced composition

We will consider voting against the chair or members of nominating committees who have not constructed appropriately balanced, independent boards. Indicators include: an overreliance on long-standing members; an over-reliance on affiliated directors; and a lack of appropriate diversity characteristics, including gender, race, nationality, ethnicity, etc., that reflect the nature, scope and aspirations of the business.

Effective functioning of boards

Board size

In the case of a two-tier board structure, neither board should be large: between five and 10 members typically is appropriate. A unitary board normally should have between five and 15 members. In the case of overly large boards and in the absence of a commitment to reduce board size, we may withhold support from the nominating or corporate governance committee chair unless clear justification has been provided explaining the need for such a large board.

Two-tier boards

We are agnostic as to the merits of a two-tier board as opposed to a unitary board, and we recognize that a two-tier board structure is the norm in many markets. At the same time, we are aware that there can be challenges in communication between a supervisory board and a management board. Where there is more than one body forming the board, companies should maintain an effective mechanism for the various elements of the board to work together and should explain how this happens. This system should ensure the most effective use is made of all individuals involved so that the company can optimize the unique skills and experiences of their directors.

Board evaluation

Board evaluations are an important tool for improving board performance. All boards should implement an evaluation process that considers the effectiveness of the entire board, its committees, the contributions made by each member, including its systems for interaction between the board and company management, areas for improvement, and behaviors and overall board culture. The nominating or corporate governance committee may oversee the evaluation process and should report general findings and areas for improvement publicly to shareholders. Large or systemically important companies should leverage professional, independent assistance to facilitate evaluations on a periodic basis (typically every three years).

Board meetings & attendance

The board should meet at regular intervals to ensure effective oversight of the company. We regard six meetings per year as a minimum guidance, and often more frequent meetings are necessary.

We also expect directors to attend the annual general meeting (AGM), and to facilitate communication with the shareholders whom they represent. The company should disclose the attendance record of individual directors in the AGM report, as well as mechanisms for shareholders to communicate directly with the board. We may withhold support from directors with poor attendance records or boards who fail to accommodate shareholder dialogue.

Non-executive director (NED) only meetings

NEDs should meet without executive board members present on a regular basis and when circumstances demand. They should also have at least one meeting per year to hold an unconstrained discussion away from day-to-day business matters. Ideally, this should be chaired by a senior or lead independent director, although the chair may be present (provided they are a non-executive). Conversely, in the case of two-tiered boards, supervisory boards should meet with executives on a regular basis to minimize the risk that NEDs could become marginalized from the business.

Training and mentorship

All directors should receive appropriate training when being onboarded. Ideally, the onboarding process should include assignment of a board mentor. Mentors are normally long- or medium-standing directors willing to take on the responsibility of providing ad hoc support and context for new directors.

All directors should regularly be provided opportunities to attend conferences, classes, or webinars to upskill and remain relevant. Such offerings may be an outcome of the board evaluation process or a request from directors or management directly. We encourage companies to develop regular director training plans that include educating directors on relevant environmental, social and governance matters.

Communication and accountability

The board should proactively and regularly make itself available for consultation with shareholders. To this end, boards should appoint a senior or lead independent director to fulfil a formal liaison role with key stakeholders. This is most important in cases where the CEO also holds the chair position, has executive responsibilities or was not independent on appointment.

Where appropriate, NEDs should be prepared to discuss matters of strategy, performance, risk, capital structure, standards of operational practice, and oversight of company-specific environmental and social matters.

3. Board committees

We encourage companies to move towards fully independent audit and compensation committees, as well as a nomination committee composed of a majority of independent directors. All board committees should report on their activities annually to shareholders (see section on “Reporting” below).

Audit

The audit committee provides an important safeguard for shareholders and for other stakeholders that rely upon the integrity of the report and accounts as a basis for their investing in the company.

The audit committee should consist exclusively of NEDs, all of whom should be independent, and consist of at least three individuals. At least one should have recent and relevant financial, accounting or audit experience, and all audit committee members should be financially literate. The committee should be responsible for assessing the effectiveness, independence, qualifications, expertise and resources of the external auditors (including the quality of audit) and oversee the process of review and issue of the accounts.

The audit committee should also be responsible for monitoring and approving related-party transactions and should ensure that any material related-party transactions do not disadvantage minority shareholders.

The audit committee is also responsible for publishing the annual audit report, which is essential for investors to evaluate the overall health of the business (see “Reporting” below). The audit committee report should provide meaningful disclosure on the committee’s work and the issues it has addressed. In the event of a significant restatement of accounts or material weakness in internal controls, we may not support the election of members of the audit committee who we consider have not fulfilled their duty to shareholders. We may also not support the election of these director to the boards of other unrelated companies.

Compensation

The compensation (or remuneration) committee is responsible for setting the compensation of executive directors and senior executives and should coordinate with the company’s human resources function to develop a coherent and effective compensation strategy throughout the company. As a best practice we believe that compensation committees should consist exclusively of independent non-executive directors.

We encourage compensation committees to engage in direct dialogue with shareholders when developing compensation policies. (See “4. Compensation” below).

The compensation committee must consult with other board functions to ensure that pay mechanisms are well aligned with strategic goals and the company’s appetite for risk. In particular, the compensation committee should work with the board and its committees to determine the appropriate balance in the allocation of profits to employees as incentive payment, to shareholders as dividends, and for retention or reinvestment in the business itself.

The committee's fiduciary duty is also to ensure that the amount of payment to management is fair and appropriate. Finally, the committee should be attentive to compensation across the company to ensure management is delivering on strategic priorities, especially those that enhance shareholder returns, and managing risk effectively.

We may withhold our support from the chair and/or members of the compensation committee where there are significant concerns with the committee's decision-making, or where issues we have identified with pay policies and practices remain unaddressed.

Nomination

A nomination committee should oversee all board and senior executive appointments. Normally it should be a committee of independent non-executive directors and the board chair. In certain instances, it may be appropriate for the committee to leverage management's advice. Although we prefer a fully independent committee, we recognize that a non-independent director or representative of a large shareholder may be appropriate in some circumstances.

Corporate governance

We recognize that companies may choose to have the nominating committee or a specific corporate governance committee responsible for corporate governance practices and procedures. Regardless of the structure, the committee should monitor emerging regulatory and industry standards, strive to achieve global best practice, and should consult with shareholders to understand investor expectations.

Corporate responsibility and sustainability

We believe that committees with responsibilities related to oversight of corporate social responsibility, ethics or sustainability are prudent for purposes of risk management. For large companies exposed to significant ESG risks, such committees are essential to protecting shareholder value and managing reputational risk.

Business ethics

Whether it is through a committee such as the audit committee or a general board review, it is important that the board affirm its responsibility for reviewing internal business ethics systems, practices, and processes.

4. Compensation

Levels of compensation and other incentives should be designed to promote sustainable, long-term shareholder value creation and reflect the executives' work and contribution to the company. No director should be involved in setting their own compensation. Given the consistent upward trend in total compensation, we expect careful usage and robust justification of benchmarks. We also wish to see comprehensive disclosure of performance targets as well as actual performance against pre-set targets. We expect justification of base pay levels awarded, and that a significant proportion of total compensation be variable and subject to appropriately challenging performance conditions. We do not set guidelines for levels of compensation beyond the principles mentioned below.

Level of pay

We expect boards to demonstrate an understanding of (and sensitivity to) the views and expectations of shareholders and other key stakeholders, such as employees, when setting executive pay.

Relationship to strategy and risk

We expect companies to demonstrate the alignment of their compensation policy with their overall business strategy and planning. Performance metrics should relate to the company's articulated strategy and risk tolerance. Targets should be constructed to align executive incentives to the interests of long-term shareholders and should not create incentives for executives to undertake short-term risks that might imperil sustainable long-term performance. We advocate for risk-related preconditions to bonus awards to ensure inappropriate incentive payments are not awarded in the event the company's financial strength or credit quality deteriorates.

Disclosure

We seek appropriately detailed disclosure of board and management compensation packages (See "Compensation committee report" below). The purpose of the compensation report should not simply be related to compliance, rather it should be to enhance investors' understanding of the committee's practices, processes, and goals.

Following the award of the bonus, companies should provide a meaningful analysis in the compensation report of the extent to which relevant targets were met. The compensation report should be written in plain language and include the tax implications for the company.

At a minimum, the compensation of all directors, including all nonexecutive and executive directors, should be disclosed individually. We look for banded disclosure of those individuals at sub-board level who make a significant contribution to the company.

Executive contracts and pensions

Prior to employment contract agreements, companies should actively consider the potential rewards concerning severance in the event of inadequate performance and clarify the performance conditions under which such severance benefits are to be payable. We encourage

companies to seek mitigation in case a director has taken up employment elsewhere and to adjust the length and size of any payments accordingly. We recommend that companies make larger severance packages the subject of a shareholder vote.

Share schemes/ share compensation arrangements

We believe that strict guidelines should be observed regarding the issue, or potential issue, of shares for incentive schemes (also known as equity-based compensation plans) both as to the proportion of shares issued and to the rate at which these are issued each year. For us to accept large share schemes, the commercial drivers must outweigh the dilutive impacts. If the company is insufficiently transparent regarding the details of such schemes, we may abstain or vote against them.

Equity incentive plans

We support the principle of motivating and rewarding executives through the granting of equity incentives. Performance targets for equity incentive plans should be clearly disclosed and challenging. We believe that the compensation committee is in the best position to determine the most appropriate performance metrics for driving the long-term business strategy. However, overall compensation packages should reflect a range of performance.

Generally, we believe executive pay plans should reflect a balance of financial, operational, and relative performance targets. We strongly believe that exceptional performance over a significant period merits an exceptional level of compensation. We oppose retesting of performance conditions and may withhold support of compensation plans where the compensation committee has used its discretion to relax any performance targets previously approved by shareholders.

We will consider one-off equity awards on a case-by-case basis in light of justification provided by the company. However, frequent use of exceptional awards raises questions over the adequacy of the overall compensation strategy and effectiveness of succession planning. We will take particular care when reviewing equity awards granted for the purposes of recruitment or retention when such awards are not linked to meaningful performance targets.

We encourage the inclusion of environmental and social factors in performance bonus payments where they could have a material impact on shareholder returns. We also expect a discussion of the process undertaken by the company to identify such factors and an explanation as to why it considers these factors to be relevant.

Holding periods, vesting and malus/clawback policies

Bonus payments and long-term incentive schemes should be structured to reward long-term growth in shareholder value and be subject to performance-vesting conditions. We encourage companies to include deferred shares as a portion of short-term bonuses. Longer-term incentive plans should be fully sharebased, and vesting periods should extend from at least three to five years or longer. We also encourage companies to require longer-term holding periods

post vesting. The compensation committee should maintain a malus authority to withhold all or part of performance-based pay from executives before it has vested in cases where it deems it appropriate. The compensation committee should also have clawback authority to recover sums already paid out to executives. This might occur following a significant restatement of accounts, where previously granted awards were paid on the basis of inaccurate figures, or where the long-term outcomes of a specific strategy result in significant value destruction for shareholders.

Employee ownership

Widespread employee ownership can contribute positively to shareholder value, as it further aligns employees' interests with those of shareholders. Such devices should not, however, be instituted as anti-takeover devices, and should be included within company-wide dilution limits.

5. Audit, risk and control

We recommend that the independent members of the audit committee meet on a regular basis with the company's auditors and without company management. This may enable a better flow of information between auditors and the board.

Appointment of auditors

The auditors' performance and appointment should be reviewed periodically. Where the same firm remains as auditor for a period of time, there should be a policy of regular rotation of the lead audit partner. We believe that systematic rotation of audit firms is both desirable and in the best interests of shareholders.

We expect audit quality to be the main consideration in the selection of the auditor and expect that shareholders should be given the opportunity to vote on the appointment and payment of auditors.

Auditor liability

We recognize the disproportionate risk that joint & several liability may place upon audit firms. However, we will only consider supporting arrangements to cap auditor liability in exceptional circumstances (e.g., where the risk of a catastrophic and disproportionate claim can be demonstrated).

Fees paid to a company's auditors in addition to audit fees

Companies should disclose when auditors carry out consultancy work in addition to auditing the company and the audit committee should consider whether there is a risk that an auditor's impartiality may be jeopardized. The range, nature and tendering process for any such non-audit work should be supervised by the audit committee, whose responsibilities in this area should be fully disclosed. Where substantial non-audit fees are paid for more than one year, we may not support the reappointment of the auditor or the payment of auditor fees in its voting at AGMs.

Related-party transactions

Many companies are involved in material related-party transactions, which represent a significant risk to shareholders. This risk is mitigated in companies with fully independent audit committees whose responsibility it is to ensure that such transactions are conducted on the basis of arm's-length valuations. We strongly encourage companies to use such committees for scrutiny, and to secure prior shareholder approval for material related-party transactions.

In the circumstance of continued concerns, we recommend that each company disclose any shareholdings that its controlling shareholders may have in other companies or investment vehicles that have a material interest in the company.

Risk management

The board as a whole is responsible for defining a company's risk tolerance relative to its strategy and operations—it is also responsible for monitoring the company's performance relative to defined risks. Financial, operational, and reputational risks that are relevant to the company's business and performance should be included in this oversight, including material ESG and ethical risks.

Depending on the size and complexity of the company, a standalone risk management committee may be warranted.

6. Shareholder rights

While the precise nature and scope of shareholder rights vary across jurisdictions and many related aspects of our expectations are touched upon in other parts of these guidelines, a number merit direct mention:

Liaison with shareholders

Board and management teams should be ready, where practicable, to engage in dialogue with shareholders based on an understanding of shared objectives. They should also be proactive in making sure important news is imparted, subject to appropriate inside information procedures, and should react helpfully to investor inquiries.

In investment meetings with shareholders, companies should be prepared to address relevant corporate ESG issues.

Issuance of Shares

We respect a company's right to issue shares to raise capital. However, share issuance should be strictly limited to that which is necessary to maintain business operations and drive company strategy. We will not support requests to increase authorized share capital that exceed 50% of existing capital, unless specific justification has been provided (e.g., to complete a strategically important acquisition or undertake a necessary stock split).

Pre-emption Rights

We believe that pre-emptive rights for existing shareholders are essential. Shares may be issued for cash without pre-emptive rights or for compensation purposes, subject to shareholder approval. Companies should adhere to strict limits for issuing new shares as a proportion of the issued share capital. Furthermore, they should also be subject to flow rates, where appropriate.

Share repurchases

We expect companies to repurchase shares in the market when it is advantageous for the company and its shareholders.

Authority to repurchase shares should be subject to shareholder approval.

Controlled companies and share classes with differential voting rights

We favor a share structure that gives all shares equal voting rights. We do not support the issue of shares with impaired or enhanced voting rights.

Where differential voting structures exist, this structure should be transparently disclosed to the market. In the case of controlled companies, we will review any request to issue shares with enhanced voting rights to determine why these are necessary and how they will reflect the interests of minority shareholders. We support the principle of one share, one vote, and

encourage companies to take steps to eliminate differential voting structures over time or prevent their introduction. Where there are unequal voting rights, we encourage clear and comprehensive disclosure of a timeline regarding the retirement of unequal voting structures (otherwise known as sunset provisions).

Voting caps

We oppose voting caps in principle and believe that all shares should be entitled to full voting rights irrespective of the holding period. However, we recognize the widespread use of voting caps in certain markets, and the benefits accruing to shareholders not subject to a cap. Therefore, at a minimum, we expect companies to clearly disclose any caps and encourage them not to introduce new caps while phasing out existing caps over time.

Mergers and acquisitions, spin-offs and other corporate restructuring

We expect boards to conduct thorough due diligence prior to pursuing any merger or acquisition and to maximize shareholder value in any deal.

Where major transactions are not subject to shareholder approval, companies should consider the views of their major shareholders, subject to regulatory constraints and shareholders' policies concerning insiders.

We consider the ESG risk implications of any corporate activity as part of the assessment of such activity, particularly in high-impact industries. We also expect the board to evaluate any potential ESG or ethical risks or liabilities of any business combination, including supply chains.

Poison pills

We regard artificial devices to deter bids, known as poison pills, as inappropriate and inefficient unless they are strictly controlled and very limited in duration. We believe that any control-enhancing mechanism or poison pill that entrenches management and protects the company from market pressures is not in the interests of shareholders.

Pension and other similar significant corporate liabilities

Companies should be aware of, and report to shareholders on, significant liabilities such as those arising from unfunded or under-funded pension commitments. The extent of the liability should be reported, and the plans put in place to cover the deficit should also be reported within a reasonable timeframe for action. The principal assumptions used in calculating amounts should form part of this disclosure. Other significant liabilities could include specific operational or ESG risks that the company faces. The company should provide some indication of how these risks could result in "contingent liabilities."

Shareholder resolutions

We consider all shareholder resolutions that appear on the ballot and vote in accordance with our view of the long-term economic benefit to shareholders. On this basis we will typically support requests to improve board accountability, executive pay practices, ESG disclosure and climate change scenario analyses where we agree with both the broader issue highlighted as well as the implementation proposed. We also typically support shareholder proposals asking companies to report on implementation of environmental and social policies and assessments where there is reason for concern that links to financially material risks that could impact the performance of the company. We will review company and outside data and information, assess peers for benchmarking and consider the proponents' and company's arguments in full.

7. Reporting

Companies should have meaningful and transparent disclosure so that investors can obtain a clear understanding of all important and relevant issues. The annual report should provide a full review of the business model and strategy; key performance indicators used to gauge how the company is progressing against its objectives; principal (material) risks and any significant factors affecting the company's future performance, including significant ESG or ethical issues; key achievements; and standards followed during the accounting period.

In all markets, we favor reports that are:

- **Comprehensive**, covering the strategic direction of the business and all material issues, including any significant changes in the regulatory context and key ESG issues;
- **Balanced**, with even-handed treatment of both good and bad aspects of a company;
- **Transparent**, with narrative text that leverages plain language, and accounting notes that provide investors with a full understanding of the circumstances underlying the reported figures;
- **Underpinned by Key Performance Indicators (KPIs)** that drive business performance, are comparable over time, and are supported by detailed information on how they are calculated;
- **Consistent and joined-up** with other company reporting, including the compensation policy and corporate social responsibility or sustainability reporting.

Directors

Adequate biographical information on the directors should be provided for shareholders in advance of the AGM. This should include information about directors' qualifications and experience, term of office, date of first appointment, level of independence, board committee memberships and other personal and professional commitments that may influence the quality of their contribution and independence (e.g., other directorships, family and social ties, and affiliations with related companies or organizations). For all newly appointed directors, we encourage disclosure of qualifications, experiences and skills that are considered by the board to be of relevance and importance to its oversight of company strategy. To this end, we encourage disclosure of a clear and concise board skills matrix in the proxy voting materials and annual report.

Nomination committee report

The committee should report annually on its activity and the report should provide a detailed discussion of its process for identifying and appointing executive and non-executive directors, including the processes it employs to ensure board membership reflects an appropriate diversity of perspectives, experiences, gender and racial or ethnic representation as well as cultural backgrounds. Where necessary, the report should include a thorough discussion of the board's view of the independence of certain members. The report should also include a robust description of the board evaluation process, cadence, and outcomes (including strengths and opportunities identified).

Audit committee report

The audit committee should report on its conduct during the year and, in particular, any specific matters of judgement relating to the application of accounting principles or the scope of the audit. It should also comment on the process for ensuring the independence of the auditors and for evaluating the impact of non-audit work. The audit committee report should include a narrative description of any related-party transactions, with reference to how these might impact the interests of minority shareholders. Any qualification of the audit statement and all matters raised in the auditor's report must be fully explained.

System of internal controls and risk management

If the audit committee's remit includes risk management, the audit committee report should also address the board's oversight of enterprise-wide risks. Either as part of the audit committee report or a standalone report, the company should explain the results of the board's review of internal controls, including any identified (or potential) weaknesses in internal controls and how the board plans to respond to these.

Compensation report

We expect all companies to publish an annual compensation report in line with international good governance standards. Good compensation reporting outlines a company's overall philosophy and its policies and formulas for determining annual, short- and long-term pay. We

look for compensation reports to break down fixed versus variable pay and to clearly align total pay packages with long-term shareholder value. The compensation report should clearly disclose specific long-term performance targets and total potential pay-outs.

If short-term performance targets cannot be disclosed due to commercial sensitivity, we expect retrospective disclosure of short-term targets and of actual performance against these targets.

We recommend that all companies put the compensation report to a shareholder vote and encourage compensation committee members to actively consult their shareholders prior to the AGM.

Sustainability reporting

We encourage companies to report on any significant ESG or ethical risks and opportunities in their annual reports including the systems in place to manage these risks. This may be supported by more detailed disclosure in a separate corporate social responsibility or sustainability report.

Code of corporate governance

Companies should provide a full and clear statement of all matters relating to the application of the provisions of the relevant national code of corporate governance. The way the provisions are put into effect should be clearly discussed. Any deviations should be supported by meaningful explanations.

Code of conduct

Companies should maintain a code of conduct reflecting corporate values and promotion of ethical business practices. Such codes should address business-critical compliance issues including anti-corruption practices.

Reincorporation in a tax or governance haven

Irrespective of the potential benefits a smaller tax burden may bring, we will typically vote against resolutions for a company to reincorporate in a new legal jurisdiction that offers lower legal and governance protections to shareholders. Aggressive tax strategies, even if structured legally, can pose potentially significant reputational and commercial risks for companies.

We expect boards to ensure the company's approach to tax policy is both prudent and sustainable. To that end, we therefore expect companies to disclose how the board is providing such oversight. Companies should provide a suitable amount of information for investors to understand their tax practices and associated risks.

Listings

Companies that are listed on an exchange should comply with the rules and listing requirements of that exchange.

Shareholder resolutions and access to the proxy statement

Shareholder resolutions represent the exercise of a key shareholder right and may encompass a wide range of issues. We encourage companies to engage in constructive dialogue with shareholders and other key stakeholders. Where engagement is unsuccessful, we support shareholders' right to submit a shareholder proposal for consideration by all investors. In these instances, companies should behave respectfully by communicating promptly and fully with shareholders while refraining from obstructing the process. The board should provide a full and reasoned response to any shareholder proposal on the ballot. We consider all shareholder resolutions put forward and vote in accordance with our understanding of the long-term economic benefit to shareholders. We support shareholder resolutions relating to the right to nominate or remove directors, including those related to an advisory shareholder vote on pay. We may incorporate into our decision whether a shareholder resolution is binding in nature or advisory (non-binding) in applying the above considerations.

8. Social and environmental factors

Environmental and social factors can present serious risks to corporations and their ability to generate shareholder returns. A well-run company should, therefore, have formal systems to identify, assess and manage significant risks associated with financially material environmental and social factors. Companies should publicly disclose such factors on a regular basis and detail any management-related strategies and targets.

Disclosure should cover both direct operations and, where relevant, the policies applied to their supply chains. Companies should make appropriate and integrated disclosures reflecting touch points to their strategy, research and development, capital expenditures, operational performance, and commercial aspirations.

In general, we evaluate environmental and social proposals based on the relevance of the issue to the company and the desirability of the specific action requested in the proposals to advance long-term shareholder value. We recognize that some proposals may identify important company risks even if the proposal is poorly constructed. In such cases, we encourage companies to identify, mitigate and report on their respective risk management approach effectively.

Environmental and social management

Companies should determine how financially material environmental and social risks and opportunities are addressed via their core business strategy. As part of this process, companies should proactively identify, assess and manage those risks and opportunities, as well as implement robust sustainability governance frameworks to promote accountability and ensure effective oversight. We expect companies to align their disclosure of environmental and social policies, management systems and performance according to internationally accepted standards. We also expect companies to quantify impacts from environmental and social factors and set targets to mitigate and manage material sustainability risks and impacts.

We have set out our detailed thoughts for environmental and social practices in stand-alone documents available on our website.

We may withhold support from management resolutions should we deem companies' responses to involvement in significant environmental or social controversies as insufficient, or where we have concerns about recurrent weak practices by companies in high-impact industries.

We may vote in favor of shareholder resolutions seeking improvements in reporting and/or management of environmental or social practices where we have concerns, acting in the best economic interest of our clients, or improvements are proportionate to the risks faced.

Climate change

We recognize that climate change and the global transition to a lower-carbon economy present both risks and opportunities to businesses. We are supporters of both CDP (formerly, the Carbon Disclosure Project) and the recommendations of the Taskforce on Climate Related Financial Disclosures¹ and expect to see companies report climate risks and strategy against the proper standards and frameworks. We also support company efforts to implement net zero targets; however, the company should disclose specifics as to how they will accomplish this.

Some companies may be exposed to business risks stemming from the effects of climate change either directly via their business operations, regulations, changing consumer demand or through supply chains. Where these are financially material risks, companies should describe how their business strategy incorporates climate risk and ensure adequate disclosure.

Where companies in high-impact sectors—e.g., those requested to disclose to CDP Climate Change—fail to provide investment-relevant climate disclosure or do not have a robust climate change risk management strategy, we may not support management resolutions, including the report and accounts or the election of directors if we think this is in the best economic interests of our clients.

¹ <https://www.fsb-tcfd.org/publications/final-recommendations-report/>.

Where there are matters of concern, we may support shareholder resolutions calling on companies to improve their business planning and public disclosure in relation to climate change risks and opportunities.

We will make use of investor tools such as the Climate Action 100+ Net Zero Company Benchmark, the Transition Pathway Initiative, our own proprietary **net zero tool** as well as engagements we've conducted to identify companies that fail to follow best practice.

Biodiversity

Loss of biodiversity degrades ecosystems which underpin the Earth's ability to provide regulating, provisioning, cultural and supporting ecosystem benefits. For companies in sectors with high biodiversity impact that fail to provide appropriate disclosure (e.g., CDP Water Security and/or Forests disclosures), we may not support management resolutions if we think this is in the best economic interests of our clients.

Sustainability and integrated reporting

A company's recognition and management of financially material environmental and social exposures and related disclosures provides shareholders with an additional lens through which to assess the quality, leadership, strategic focus, risk management and operational standards of practice of the business.

Disclosure of significant environmental and social risk factors should be included in the annual report. Certain high risk or high impact operations that are of substantial interest to investors and the public may require modular reporting alongside reporting that aggregates all company activity. We recommend disclosure in line with internationally accepted standards of best practice which enhances our understanding of a company's ability to create and sustain value in the short, medium and long term.

Audit of social and environmental management systems

We appreciate that auditing and assurance practices for environmental and social systems require further development; nevertheless, we consider third-party auditing of sustainability reports to be best practice. We encourage companies to move towards third-party verification.

Labor practices and standards

Companies may incur significant risks because of the employment practices of their own operations and those of their suppliers and sub-contractors. Codes of conduct that address such risks and include detailed and effective procedures for their supply chain are usually in companies' best interests.

Where there is cause for concern, we favor codes based on internationally recognized standards (e.g., core conventions of the International Labour Organization), independent monitoring or auditing of implementation, and reporting of aggregate audit results. We look for regular, public reporting on code implementation.

Human rights

Companies may incur extraordinary risks to their operations, staff, or reputation as a result of operating in conflict zones or in locations at risk of human rights abuses. Risks may also be encountered via supply chains when primary product

Inputs are sourced from at-risk areas. Where there is cause for concern, we support resolutions asking companies to develop and implement policies and management systems addressing human rights and security management. These policies should reflect internationally recognized standards (e.g., United Nations Universal Declaration of Human Rights) and should apply to suppliers and sub-contractors.

Severe human and labor rights issues often affect the most vulnerable communities and can represent a threat to reputational and operational corporate performance. They are referenced in various international standards and conventions and are linked to existing¹ or evolving² regulations that issuers may be subject to.

We believe that effective mitigation of these issues can contribute to sustainable long-term value creation by the companies in which we choose to invest. At companies identified as being most at risk with insufficient mitigation strategies, we may not support management resolutions, including the report and accounts or election of directors if we think this is in the best economic interests of our clients.

Diversity and equal employment opportunity

The best interests of companies, as is maintaining a diverse workforce. We support efforts to strengthen non-discrimination policies, achieve diversity objectives and address glass ceilings at all levels within organizations. We welcome disclosure of specific diversity targets and reporting on performance against these targets, as well as reporting on gender and ethnicity pay gaps within companies and plans to address these. We will look for disclosure of how measures to increase diversity have been applied and the management and oversight of these measures. In an environment where many industries and companies are facing shortages of skilled workers, thus increasing competition for talent, it is advisable and appropriate for company policies and practices to exceed legal requirements in order to attract and retain employees.

Political and charitable donations

Charitable and political donations should be consistent with the company's stated sustainability strategy. (See "Reporting" above). We recommend that the board provide ultimate oversight for political donations and related activity. Furthermore, we believe that companies that

¹ UK Modern Slavery Act, OECD Guidelines for Multinational Enterprises.

² EU corporate mandatory human rights due diligence, Swiss mandatory human rights DD (focus weapons), German Supply Chain Code.

undertake charitable giving should have transparent policies and undertake charitable giving programs with due regard for the interests of shareholders and key stakeholders.

Environmental stewardship

Companies should determine how key environmental risks and opportunities fit into their core business strategy. As part of this process, companies should identify, assess, and manage their environmental impacts. This may include minimizing key environmental impacts, reporting on environmental management systems and performance, and discussing related financial impacts. Areas of increasing business interest include energy use, emissions, water, waste, and the utilization of natural resources.

9. Voting matters

Annual general meetings

Although we supported company efforts to hold virtual-only AGMs during the initial stages of the COVID-19 pandemic, we encourage a return to physical annual meetings of the shareholders that are supplemented with a robust and accessible virtual (or hybrid) option. If the company decides to provide a hybrid meeting, shareholders joining virtually should be provided the same treatment and transparency as those attending in-person.

Vote disclosure

We expect companies to disclose the voting results of their general meetings, both at the meeting and on their websites. This should include a detailed breakdown of votes for and against, as well as abstentions.

In the spirit of transparency, we also make available to both our institutional and retail fund customers, as well as to the public, a comprehensive record of our voting by publishing all our votes and comments on our website.⁶ A summary of our voting statistics can be found in our annual Stewardship report

Shareblocking

We believe that shareblocking—the practice of preventing shares from being transferred for a fixed period prior to the vote at a company meeting—discourages shareholder participation and should be replaced with a record date. Where shareblocking exists, we will follow client policy and may be prevented from voting because of concerns about failed trade settlements and extraordinary cost to clients.

Electronic voting and of use proxy advisory services

We typically exercise voting rights electronically. We currently vote using ProxyExchange, the electronic voting platform provided by Institutional Shareholder Services (ISS). We do not follow ISS vote recommendations, except as provided for in our Conflict of Interest Policy or if instructed by clients. Instead, ISS assists us through pre-populating our vote instructions in accordance with our vote policies. Our Responsible Investment team reviews a proportion of meetings based on an internal prioritization model.

Position on abstentions

Our standard voting approach is to either vote for or against resolutions where these options are available to shareholders. However, there are cases where we consider abstaining to be appropriate—for example, where company practices have improved significantly but do not fully meet our expectations.

With respect to shareholder resolutions, we may abstain in cases where we agree with the broader issue highlighted but do not agree with the way in which the resolution prescribes change.

Additional soliciting materials

If we become aware that an issuer has filed additional soliciting materials prior to a proxy vote submission deadline, then we endeavor to review and reflect those in the application of our voting policy where: (a) the submission is published at least five days prior to our earliest client vote cut-off; and (b) the enclosed information is considered to be material towards impacting our voting position.

Stocklending

We observe that stock lending is a widespread market practice involving the sale and contractually pre-agreed repurchase of a stock. We believe that stock lending is an important factor in preserving the liquidity of markets and in facilitating hedging strategies; it can also provide investors with a significant additional return on their investments as the sale repurchase transaction may include a profit margin. Importantly, however, if the term of the instrument coincides with an annual or extraordinary general meeting, the transfer of the voting right impairs the ability of the underlying shareowner to exercise their voting rights. In rare instances, this has led to abuse, where borrowers have deliberately entered into transactions to sway the outcome of a shareholder vote without any intention of owning the stock long-term. We consider the balance struck between stock lending and voting to be a matter for individual decision making by clients.

Record dates

We recommend that a record date be set a maximum of five working days prior to AGMs for custodians and registrars to clearly establish those shareholders eligible to vote. This will give time for all relevant formalities to be completed and serves the same purpose as shareblocking without the disruptions noted above.

Voting systems

All companies should conduct voting by poll, rather than relying on a show of hands.

We believe that shareholders have the right to appoint any reasonable person as proxy to vote their shares, either in person or electronically.

We encourage the introduction of electronic voting systems that are accurate and provide an effective audit trail of votes cast.

Bundled resolutions

Resolutions put to company meetings should cover single issues, or issues that are clearly interdependent. Any other practice potentially reduces the value of votes and can lead to opposition to otherwise acceptable proposals. We will normally oppose resolutions that contain such inappropriately bundled provisions.

Any other business

We expect to vote on resolutions where the content has been made clear to shareholders and is in the interests of the company and its shareholders. Where a resolution invites shareholders to vote on "any other business," we will systematically vote against.

Political and charitable donations

We welcome the opportunity to vote on company donations if material. With respect to donations to political parties or to organizations closely associated with political parties, we believe the board is best positioned to oversee the appropriateness of such spending and should review as often as is necessary to ensure congruency with both corporate strategy and values.

Amendments to Articles

We are generally unsupportive of amendments to the articles of incorporation which limits the liability of company officers.

Responsible Investment – Engagement Policy

Frankfurt/Main, January 2024

Purpose

This Responsible Investment Engagement Policy is drafted and reviewed in accordance with regulatory requirements, including those set out by Shareholder Directive, Directive (EU) 2017/828, outlining our approach to and implementation of engagement by our Active Ownership¹ team. The policy applies globally to all Columbia Threadneedle Investments² client accounts to the extent agreed upon or permissible. It also outlines our approach to engagement on behalf of reo^{®3} clients.

At Columbia Threadneedle Investments we strive to be responsible stewards of our clients' assets, , allocating their capital within our framework of robust research and good governance.

We embrace our role as active investors to encourage positive change both for our managed assets and reo[®] clients. We dynamically interact with issuers to enhance their long-term viability, performance, and sustainability to create value for our clients as well as society.

Targeted Responsible Investment (RI) engagement with issuers is an important part of our investment approach. Active ownership enhances insights, encourages change, and helps create future value. In addition, we believe that engagement on environmental, social, and governance issues can have a positive impact on corporate performance and investment returns, as well as on society or the environment.

Engagement definition

We define engagement for the purposes of this policy as having constructive dialogue with issuers on environmental, social and governance (ESG) risks that could have a material negative impact on their businesses and, where necessary, encouraging improvement in ESG management practices. Our purpose with engagement is to support long-term investment returns by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that our investment decisions could have on these factors. We believe that we can play a part in building a more sustainable and resilient global economy by encouraging issuers to improve their ESG practices. This can also help drive positive impacts for the environment and society that are in line with the achievement of the United Nations Sustainable Development Goals (SDGs).

Our engagements focus on financial performance, sustainability risks and opportunities, operational excellence, capital allocation policies and managerial incentives, among other topics.

¹ Active ownership is the use of the rights and position of ownership to encourage change in the activities or behaviour of issuers; it includes engagement and proxy voting activities. Active ownership can be applied differently in each asset class.

² Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies that together make up the asset management business of Ameriprise Financial, Inc. Individual client mandates or jurisdictional regulatory requirements may require a variation in approach. Any such variation in approach overrides this document as necessary.

³ reo[®] is a pooled service that allows investors to receive engagement, and proxy voting where selected, on equity and corporate bond holdings, independent from portfolio management services received either from third party asset managers or Columbia Threadneedle Investments.

Collaboration across asset classes and thematic and sectoral disciplines ensures an informed approach. Our engagement programme is structured around seven high level themes:

- Climate change
- Environmental stewardship, including biodiversity
- Labour standards
- Human rights
- Public health
- Business conduct
- Corporate governance.

Underlying each theme is a range of subthemes to help focus our engagement. We monitor the outcomes of our engagement and report on our progress to our clients and through public reporting.

Engagement under this policy may cover listed equities; corporate credit; Sovereign, Supranational and Agency (SSA) issuers; private equity; real estate; infrastructure; collateralized loan obligations; asset backed securities; municipal bonds; and commodities. For reo® clients engagement under this policy covers listed equities, and corporate (financial and non-financial) credit. In each case this engagement activity is reinforced by the broader public policy engagement undertaken for all our clients

The engagement programme's scope is reviewed annually.

Commitments and related policies

In encouraging issuers to move towards best practice in managing ESG risks, we make reference to international codes and standards where relevant, such as the International Labour Organization (ILO) Core Conventions, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the UN Global Compact, the Paris Agreement, the Taskforce on Climate-related Financial Disclosures, the Taskforce on Nature-related Financial Disclosures, and national corporate governance principles and codes of business best practice¹. Our key expectations on good practice are outlined in our corporate governance guidelines², and environmental and social practices statements.

Policy and engagement programme implementation

Our engagement programme is executed through close collaboration by our Active Ownership Analysts, comprised of experienced engagement and voting specialists, with Fundamental Research Analysts and portfolio managers.

¹ For a full, current list, please see our **Stewardship Report**.

² Columbia Threadneedle Investments Corporate Governance Guidelines can be found **here**.

Engagement identification, prioritization, and process

Bottom-up: priority issuers

We identify and prioritize issuers for engagement based on the following:

- Assessment of impact of ESG risk and opportunity factors now and in the future, including financial materiality of risk issues in accordance with SASB Standards¹
- Investment teams' and Fundamental Analysts' judgement and expertise,
- Previous engagement track record
- The significance, probability of occurrence, and severity of adverse sustainability impacts, including their potentially irremediable character, scale (gravity), scope and character (noting whether remedial action is possible);
- Assessment of likelihood of success for engagement;
- Level of exposure, typically based on size of holding across both managed client assets and reo[®] client assets; and
- Overall preferences² of managed clients or reo[®] clients as may be provided to us

Additional considerations may be brought in depending on the issue under engagement, such as specialist data sources to identify issuers subject to a specific risk we are focusing on. This includes engagement projects (see below), and our Net Zero climate change engagement, which is prioritized according to a set of factors including financed emissions intensity and the quality of climate strategy.

We set specific engagement objectives ("Objectives") and track progress against these to assess achievements ("Milestones") and determine next steps. When we open discussions with individual issuers, we aim to clearly communicate our Objectives – including timelines, and desired outcomes.

Top-down: engagement projects

On an annual basis, the Active Ownership team conducts a high-level assessment of a wide range of current and emerging ESG issues and their potential impacts on long-term investment returns, the economy, environment, and society. The results of this assessment determine the specific ESG issues on which we will focus our engagement activities going forward. Project-based engagements on specific issues normally run for two to three years and are concluded by a final assessment of progress.

¹ Sustainability Accounting Standards Board <https://www.sasb.org/>

² Including annual reo[®] client consultation on company and thematic priorities, bespoke engagement requests or dedicated engagement mandates

Event-driven engagement

Part of our engagement happens in reaction to scheduled events such as annual general meetings, where we would outline shareholder expectations, and request changes to an issuer's operations, governance structure or strategic approaches. Engagement activity may also occur in response to unscheduled and controversial events, such as scandals or major environmental disasters linked to corporate operations. Our event-driven engagement also occurs in reaction to potential issuer breaches of global standards, such as the OECD guidelines for multinational enterprises or the UN Global Compact.

Engagement for specific mandates, fund strategy, or regulatory requirements¹

Individual client mandates, fund strategies or jurisdictional regulatory requirements may require a dedicated approach to engagement that is different to the approach outlined above. This will be outlined in client mandate documentation and/or fund/strategy-specific investment policies.

Conducting engagement

Our preferred approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with issuers and building a relationship of trust over time as long-term investors. When it is more effective to take a collaborative approach to bring about change, we may form or join coalitions with other investors, non-governmental organisations (NGOs) or industry groups, whilst ensuring that we adhere to all applicable anti-trust competition legal and regulatory requirements and any other applicable limitations when doing so. We have an internal Addendum to the RI Engagement Policy on collaborative engagement, detailing further requirements.

Speaking with a unified voice can allow investors to communicate their concerns more effectively, whilst gaining power and legitimacy from the perspective of corporate management. Furthermore, collaborations can help build knowledge and skills whilst enhancing engagement efficiency. We are a member of several investor coalitions actively pursuing collaborative engagements². We engage at different levels within issuers depending on the nature of our Objectives, including with the board, executive management, investor relations, sustainability leadership, and operational specialists.

¹ This does not apply to reo® clients given the nature and scope of the service.

² These memberships and initiatives may change over time and the current list is disclosed in the annual Stewardship Report available [here](#).

Public policy engagement

We recognise that action by governments or regulatory intervention is also often needed to create a level playing field and achieve meaningful results. To that end, we aspire to play an active role in public policy development through engagement with policymakers and regulators. We seek to bring a constructive investor voice to standard settings, and we believe that policy and regulatory change is often the catalyst for improved corporate behaviour.

Escalation

If issuers do not demonstrate progress on matters that we believe are in our clients' best long-term economic interests, we may consider further escalation.

In considering engagement escalation strategies, we will make a case-by-case assessment of progress against our Objectives and how issuers respond to our engagement. Assessments take place at quarter end when Active Ownership analysts assess progress against the Objectives we have set for each issuer we engage with. We also assess annually all issuers' responsiveness to engagement undertaken in the previous full year. Both data points feed into the escalation decision.

Escalation activity takes place in collaboration with other investment to ensure agreement on the need for escalation and alignment on avenues to pursue departments within Columbia Threadneedle Investments.

As stewards of our clients' investments, we have at our disposal several different options for escalation, which include:

- **Collaborative engagement**¹: While we generally prefer to engage issuers in private to enable honest, open, and frank discussions to take place, collaboration with other investors or stakeholders, might be an impactful engagement or escalation strategy. Given ownership of an issuer is often dispersed, for a stakeholder's voice to have weight it may require collaborative engagement to address issues effectively at the issuer or industry level. We support dialogue amongst investors and collaborative engagement where this contributes to the creation and protection of stakeholder value.
- **Public statements**: For both equity and corporate credit escalation issuing a public statement outlining disagreement with management's approach and formulating ESG best practices and expectations is an additional escalation option.

¹ Collaborative engagement is not exclusively used for escalation purposes but can also be used as standard engagement with other investors.

- **Filing shareholder resolutions:** Filing an equity or bondholder resolution can be a key rallying point of an engagement campaign to change issuers' behaviour. Examples might include improving board accountability, executive pay practices, ESG-related disclosure, climate change action or employee welfare.
- **Annual General Meetings (AGMs):** Requesting a shareholder meeting or intervening at an AGM offer the opportunity for direct, public dialogue with boards and top executives. Interventions at AGMs can also trigger further dialogue with an issuer, paving the way to more in-depth engagement on an issue.
- **Proxy voting:** Voting against management on key resolutions sends a clear signal to issuers and can help with further engagement efforts.
- **Partial or complete divestment¹:** Re-weighting a position to reflect the investment risk of poor ESG practices or selling a holding outright can be a powerful signal of dissatisfaction in response to inadequate progress against Objectives.

Tracking engagement progress

Objectives, Engagement Activity and Milestones are tracked and monitored for ESG-focused engagements. All engagement is tracked in a company-wide database and accessible to all research analysts and portfolio managers.

The database allows us to produce engagement activity reports for internal use, clients, or the general public, e.g. our Stewardship Report.

We measure and report on the success of engagement through the assignment of "Milestones", which recognize improvements in issuers' ESG policy, management systems or practices against the Objectives that were set. Milestones are ascribed using a three-star rating system, with three stars indicating the most material changes of significant ESG impact and one star reflecting smaller, incremental change to ESG practices along a pathway for the issuer, or across a broader context, for the relevant industry as a whole.

Active Ownership analysts also assign an annual "Responsiveness Rating" to issuers engaged.

Transparency

Clear accountability and transparent communication are key elements of our Responsible Investment engagement programme. We report periodically on the number of engagements, the number of successful engagement outcomes, as well as our public policy engagement, reflecting our full sphere of influence. We do this via quarterly and annual stewardship reports that we make publicly available on our website². We also publish research and thought leadership pieces on specific engagement activities and ESG topics; and ESG profile and impact

¹ This does not apply to reo® clients given the nature and scope of the service. reo® clients may choose to take this path themselves in response to our assessment of inadequate progress against engagement Objectives.

² Stewardship Reports can be found [here](#).

reports for a number of funds that contain information on engagement. These are all available on our website.

Conflicts of interest

Although we seek to act in the best interests of our managed asset and reo[®] clients, we recognize that certain conflicts of interest may arise due to our engagement activities contemplated by this policy. Our approach to identify, prevent, and/ or manage potential conflicts to ensure we serve our clients' best interests is guided by various conflicts of interest policies in place across Columbia Threadneedle Investments including specifically around conflicts arising in respect of Active Ownership – Engagement¹.

Governance of the Responsible Investment Engagement Policy

The Responsible Investment Engagement Policy is reviewed annually by the Responsible Investment team, the General Counsel's Organisation (GCO) and other relevant stakeholders, including Investments. The internal governance committees approve any updates to policy and its underlying principles and processes.

¹ See Conflicts of Interest Addendum – **Active Ownership: Engagement**

Conflicts of interest – Addendum to our Responsible Investment Engagement Policy

Frankfurt/Main, January 2024

Conflicts of interest

At Columbia Threadneedle Investments we seek to act in the best interests of our clients in our investment management business. We recognise conflicts of interest may arise in our investment activities and any services we provide. We seek to identify, and then prevent and/or manage conflicts to serve our clients' best interests.

This is an addendum to our Responsible Investment Engagement Policy, outlining our approach to and implementation of engagement by our Active Ownership (AO) team undertaking in collaboration with our research analysts and portfolio managers. It outlines how we deal with certain potential conflicts between our interests and those of our clients, or between the interests of two or more clients, and across all asset classes between our AO team, who conduct Responsible Investment focused engagement activity, and other teams within Columbia Threadneedle Investment (Research, Portfolio Management) who are also involved in this activity.

This addendum does not represent a complete list of all potential conflicts relevant to this engagement activity; rather it sits alongside our wider conflicts of interest policies referenced below under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated across the organisation. From time to time we may need to adjust our approach to dealing with conflicts from that outlined below to deal with the issues raised by a particular set of circumstances.

Engaging a client's issuer

We may engage with an investee issuer where the issuer (or a related party such as a sponsored pension scheme) is also a client. Potential conflicts of interest arise if the engagement objective or outline engagement expectation is not in line with the issuer's preferred practices.

We treat all our clients equally in our engagement activities. We do not alter our position due to a business relationship that an issuer may have with us or any other part of the wider Ameriprise Financial, Inc. group although we may collaborate with other business areas within Columbia Threadneedle Investments or the wider Ameriprise Financial, Inc as part of the effective management of any potential conflict arising because of such a business relationship. Unless an institutional client instructs us otherwise, we apply our ESG guidelines¹ to all client portfolios in a manner that considers our clients' respective investment objectives and best interests (including best long-term economic interest). Columbia Threadneedle Investment's Responsible Investment (RI) engagement program is defined and executed by the Active Ownership (AO) team with input from reo® clients, as well as from internal fundamental research analysts and portfolio managers, being an input into the AO team's determination of strategic engagement priorities. Our Responsible Investment Engagement Policy available on our website provides further detail on the above.

¹ Including: applicable RI investment policies, Engagement Policy, Corporate Governance Guidelines, Environmental and Social Practices Statements

Engagement of an issuer involving an Officer, Director or Employee of Ameriprise Financial, Inc or any of its subsidiaries (“Officer, Director, or Employee”)

We may engage with an issuer where an Officer, Director or Employee serves on the board of that issuer. Potential conflicts of interest arise if the issuer’s interests differ from those of Columbia Threadneedle Investments.

We manage this conflict by applying this and other Columbia Threadneedle Investment policies specifically relating to Officers, Directors, or Employees with relationships with companies. For example, Columbia Threadneedle Investment’s Global Policy – Outside Activities and Family Relationship requires our employees to declare and disclose their outside business interests. We also may determine that it is inappropriate for such employees to have any involvement the engagement with certain companies in which our clients invest.

Engagement to favour one client over another:

Potential conflicts of interest could arise where we engage with an issuer on a matter with a potential outcome that favours one client over another; for example, because they are larger in terms of their AuM that we manage or service as part of reo®.

We manage this conflict by treating all clients equally in our Active Ownership activities. In particular:

- Unless an institutional client instructs us otherwise, we apply our ESG guidelines to all client portfolios in a manner that considers our clients’ respective investment objectives and best interests. This could result in our acting on a matter the same or different way for various clients.
- For the annual reo® client consultation, all clients, independent from their AuM, have one vote on prioritization of issuers and thematic engagement projects.
- Information gained from engagement activity (statistics and narrative on Objectives, engagement activity, milestones, case studies, responsiveness rating) is shared equally with clients in each service category with some clients signing up to a level of service that includes more granular reporting.

Engagement to favour one Active Ownership Analyst or Portfolio Manager or Fundamental Research Analyst over another:

Potential conflicts of interest could arise within or between teams of AO analysts, portfolio managers or Fundamental Research analysts, if one of their representatives conducts an engagement alone with an issuer. This could lead to an imbalance of access to issuer meetings and the sharing of information, and compromised client reporting. Different asset classes and different strategies may also need to follow different engagement objectives and engagement prioritisation (e.g. financial, ESG impact, engagement escalation).

We manage this potential conflict by having a global shared calendar, with all teams having information about upcoming issuer meetings in their calendar, including the option to join. We

also have an annual internal consultation process where portfolio managers and fundamental research analysts participate in an annual prioritisation process operated by the AO team for priority issuers, thematic engagement projects as well as fund or portfolio specific engagement. This process covers both managed asset and reo[®] clients. In addition, regular exchanges between fundamental research analysts, portfolio managers and the AO team take place to understand and align on respective engagement efforts (scope, Objectives, status etc). The relevant internal investment committees serve as an escalation point in case prioritisation diverges between any of the parties involved.

The internal consultation process allows divergent views to be considered before our approach is finalised in respect any engagement initiative but does not occur at the expense of the best interest of our clients. We treat all clients equally in our engagement activities.

Other conflict management tools in Active Ownership – Engagement:

- **Our AO Team:** We have a team of ESG experts who work alongside, but independently from, the fundamental research and portfolio management teams. The AO team leads the development of our ESG guidelines and undertakes engagement activities as well as research and analysis. The AO team forms part of the broader Responsible Investment Team which reports into the Global CIO.
- **Oversight:** The relevant internal investment committees oversee this policy to ensure Columbia Threadneedle Investment effectively addresses conflicts of interests for engagement. It is committed to safeguarding the integrity of our AO team. Our Compliance department, as well as, where applicable, our investment fund boards, may also periodically review our compliance with this policy.
- **Our compliance and data protection systems:** We have strict firewalls to keep client holdings data confidential and always protected, separating holdings of clients with managed portfolios from those of clients who subscribe only to our reo[®] services.
- **Transparency and disclosure:** We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts. Our regular reporting to clients includes both our public vote record and our annual Stewardship Code report on Columbia Threadneedle Investment’s Active Ownership activities with issuers and public policy makers.
- **Conflicts of interest policy:** Columbia Threadneedle Investment maintains wider conflicts of interest policies under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated.

Modification history

Frankfurt/Main, June 2024

Modification history

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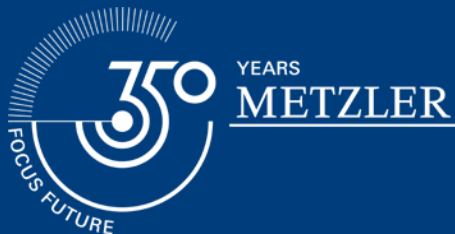
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